

**504 EAST FOSTER STREET, LUDINGTON, MI 49431**  
**FOSTER ELEMENTARY**



**Client:** LUDINGTON AREA SCHOOL DISTRICT  
809 EAST TINKHAM AVENUE  
LUDINGTON, MICHIGAN 49431

**PROPERTY IDENTIFICATION:** 504 EAST FOSTER STREET  
LUDINGTON, MICHIGAN 49431

**OWNER OF RECORD:** LUDINGTON AREA SCHOOLS

**INTEREST APPRAISED:** FEE SIMPLE ESTATE

**DATE OF APPRAISAL:** MAY 4, 2020

**PROPERTY INSPECTION DATE:** DECEMBER 23, 2019

**TYPE OF REPORT:** APPRAISAL REPORT

**APPRAISERS:** EDMOND A. LANGHORST  
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This appraisal is written after March 11, 2020 the date when WHO (World Health Organization) declared coronavirus (Covid-19) a global outbreak pandemic. The value date is prior to the pandemic, but the availability of data has become limited. If at a future time the data used in this report is shown to be different the appraiser reserves the right to change the conclusion of value.

**Mark J. Faucher, MAI**



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*May 4, 2020*

*Mr. Jason J. Kennedy  
Superintendent  
Ludington Area School District  
809 East Tinkham Avenue  
Ludington, Michigan 49431*

*RE: The appraisal of the Foster Elementary School building located at 504 East Foster Street,  
Ludington, Michigan 49431*

*Dear Mr. Kennedy;*

*The following appraisal report has been prepared in accordance with your request for an estimate of the market value of the fee simple estate to the above referenced real property. Edmond A. Langhorst has personally inspected the property and we have made a careful and detailed analysis of factors pertinent to our estimate of value.*

*The subject is a 45,000 square foot masonry constructed two-story school building located in a residential area of Ludington, Michigan. It was constructed in 1925 with additions and/or renovations in 1969, 1991 and 2008. The site is fifteen city lots containing 115,800 square feet (2.66 acres). Ten of the lots are located on the north side of Foster Street and include the school building, and five of the lots are located on the south side of Foster Street which includes playground areas and a parking lot. The building is situated in the center of the ten lots on the north side of Foster Street.*

**Valuation**

*All three of the typical approaches to value have been considered, however, only the Sales Comparison Approach is developed.*

*Typically, in the Cost Approach, the cost to replace the improvements is estimated. The value of the site is estimated and added to the replacement cost. Depreciation is estimated and deducted and the result is an indication of the subject's value.*

*This approach is not applicable to the valuation problem. Existing school buildings like the subject are typically valued in this market based on comparisons to sales of other properties. Also, as buildings age, estimating physical deterioration and obsolescence become more subjective and unreliable. For these reasons, any indication of value that could be indicated through the development of the Cost Approach could be misleading and unreliable. Accordingly, it is considered not applicable to the subject property.*

*In the Sales Comparison Approach, the subject property is compared with similar properties that have sold recently. Comparisons are made between the sales and the subject. An indication of the subject's value is developed from these comparisons. The Sales Comparison Approach develops the only appropriate indication of value for properties such as the subject.*

*Typically, in the Income Approach, market rent is estimated to develop the subject's potential gross income. An allowance is made for vacancy and credit loss, typical with similar rented properties in the market. The estimated vacancy and credit loss is subtracted from the potential gross income to derive effective gross income. An allowance for management of the property, together with projected operating expenses, are estimated and deducted from the effective gross income to develop net operating income. The net operating income is divided by a market derived capitalization rate to develop an indication of value. Operating school buildings like the subject are rarely held for investment purposes. There is no market rental or capitalization rate data. The Income Approach is not applicable and is therefore not developed.*

## **General Statements**

*The accompanying report contains the results of the investigation and analysis. The subject property was personally inspected by Edmond A. Langhorst and all necessary investigation and analyses were performed by us.*

*This analysis is based upon assumptions and estimates projected by us based on market data that was available at the time of appraisal. A large percentage of this information was obtained through interviews with third parties, which is noted to be not as reliable as physical inspection of actual certified material. In addition, we have made certain assumptions regarding the future behavior of consumers and the general economy which tends to be highly uncertain. Accordingly, it is possible that some of the assumptions made herein may not materialize. In addition, some of the circumstances that are anticipated or projected in this report may not occur which could result in the operating results being different than those projected in this report.*

*We have prepared this appraisal report based on the market data and information that was available at the time of appraisal. However, we make no warranty of any kind that the conclusions presented in this report will in fact be achieved.*

*Information obtained from third parties is subject to their personal motives and their access to current and relevant market data information.*

*We have not researched and we are not competent to ascertain the legal, engineering, and regulatory requirements as they relate to the subject property. We assume that the property is in compliance with all state, local, and federal laws. We are not responsible for any governmental agency that may enact legislation, including any environmental matters that may impact the subject property.*

*This appraisal assumes that there are no hidden or unapparent conditions of the property that might impact marketability or value. We recommend due diligence be conducted by any party related to the subject if concerns exist in regards to the property's suitability for its intended use(s). We make no representations, guarantees, or warranties.*

*We make no representation as to the structural soundness of the building. It is recommended that an inspection of the blueprints be conducted by experts in structural integrity and mechanical systems for properties similar to the subject. The value estimate contained herein assumes that the building and its components are in sound working order and are in compliance with all applicable city, county and state regulatory agencies.*

*Nothing in this appraisal shall create a contractual relationship between us or client and any third party. The client's acceptance of this appraisal provides prima facie evidence of their acceptance and agreement with the results of this appraisal by us and provides no cause of action in favor of any third party.*

*This appraisal shall not be construed to render any person or entity a third party beneficiary of this appraisal including, but not limited to any third party.*

*NMREC, Mark J. Faucher and Edmond A. Langhorst accept no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this appraisal by this firm or us.*

*The client's acceptance of this appraisal provides prima facie evidence of the acknowledgement that we have duty to the client cited herein only and only said client can place reliability on any of its contents. There is no duty to any third party and any third party cannot place reliance on any of its contents.*

*Market Value as defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*Source:* Interagency Appraisal and Evaluation Guidelines from the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Thrift Supervision Office, and the National Credit Union Administration on 12/10/2010, Paragraph Citation 75 FR 77472 Page 77472

*Respectfully submitted,*



*Edmond A. Langhorst  
I have inspected the subject property.*



*Mark J. Faucher, MAI  
I have not inspected the subject property.*

*Foster St E 504, Ludington, School, Foster*

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## SUMMARY OF SALIENT FACTS

<b>Property Location:</b>	504 East Foster Street Ludington, Michigan 49431
<b>County:</b>	Mason
<b>Assessor's Parcel Number:</b>	051-314-001-00
<b>Interest Appraised:</b>	Fee Simple Estate
<b>Date of Value:</b>	December 23, 2019
<b>Date of Inspection:</b>	December 23, 2019
<b>Owner of Record:</b>	Ludington Area Schools
<b>Zoning:</b>	R2-A General Single-Family Residential District
<b>Highest and Best Use:</b>	
If Vacant:	Hold for future development
As Improved:	Use of existing building for neighborhood-compatible purpose
<b>Improvements:</b>	
Type:	School building
Year Built:	1925 (1969, 1991, 2008 additions and/or renovations)
Type of Construction:	Brick/masonry
Building Area:	45,000 square feet
Condition:	Average
<b>Land Area:</b>	115,800 square feet (2.66 acres)
<b>Value Indicators:</b>	
Cost Approach:	Not Developed
Sales Comparison Approach:	\$220,000
Income Approach:	Not Developed
<b>Conclusion of Market Value:</b>	<b>\$220,000</b>



## **SUMMARY OF SALIENT FACTS (continued)**

**Estimated Marketing Time:** 12 Months or Less

**Appraisers:** Edmond A. Langhorst  
Mark J. Faucher, MAI  
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## **ADDRESS**

504 East Foster Street  
Ludington, Mason County, Michigan 49431

## **LEGAL DESCRIPTION**

RESSEGUIE'S ADDITION ENTIRE BLOCK 14 AND ORIGINAL PLAT THAT PART OF BLOCK 64 LYING N OF ALLEY.

The legal description was obtained from the assessment records.

## **SALE HISTORY**

To our knowledge, as of the effective date of this appraisal report, the current owner has owned the property for more than five years. The subject property is not presently listed for sale or currently under contract for purchase.

## **TAX DATA**

Commercial property is assessed annually by the City Assessor at 50% of the property's fair market value as of December 31 of the preceding year, and is to be similar to assessments for similar property. This results in the Assessed Value, also called the State Equalized Value (SEV). By Michigan law, the taxable value of a property is capped and can only increase each year by the lesser of the rate of inflation or 5%. Upon a transfer of property, the taxable value is "uncapped" and the taxable value for the calendar year following the year in which the transfer occurred is the property's SEV. Although the sale price does not become the basis of the SEV, it may be considered in establishing the SEV on December 31 following the date of the sale, while still adhering to the provisions of uniformity among similar properties. Once the new SEV is established as the taxable value for the ensuing year, the cap provision is again applied thereafter. The taxable value is then multiplied by the millage rate, which is applied for every one thousand dollars of taxable value (per mill). An administrative fee of 1% of the total taxes due is also assessed on each tax bill.

This method of establishing each year's Taxable Value is applied until the tax year immediately following a transfer of ownership of the property. For the tax year immediately following a transfer of ownership of the property, the estimated taxes are based on that year's State Equalized Value.

## TAX DATA (continued)

The definition of market value presented previously presumes a transfer of ownership. For this reason it is assumed that the property's Capped Value would be adjusted at the time of sale to equal the SEV.

The subject is owned by a non-profit organization. Accordingly, it is not subject to real estate taxes.

## ZONING

The subject site is zoned R2-A General Single-Family Residential District.



## **ZONING (continued)**

### **ARTICLE 400.2 R2A GENERAL SINGLE-FAMILY RESIDENTIAL DISTRICT**

The regulations are intended to encourage a suitable environment for families with children. To this end, uses are primarily limited to single-family dwellings, together with certain other uses such as schools, parks, and playgrounds, which provide a neighborhood environment. In keeping with the intent, development is regulated to a moderately low density. Commercial and other uses, tending to be incompatible with the intent, are prohibited.

The subject's use appears to be legal and conforming in this district. Additional zoning information is available at the City of Ludington offices.

### **EXCLUSIONS FROM VALUE**

Excluded from the estimate of value are:

1. Mineral rights have not been included in the value estimate
2. FF&E

### **COMPETENCY PROVISION**

We are competent and qualified to perform this appraisal. We have performed numerous appraisals of school building properties of all kinds throughout Michigan. Please see our qualifications contained in the Addenda for a list of the property types appraised by us.

### **PREVIOUS APPRAISALS OF THIS PROPERTY BY THE APPRAISERS**

We have not provided valuation services regarding the subject property within the last three years.

## INTENDED USE AND USERS OF THIS REPORT

- ❖ The only intended user of this report is Ludington Area School District.
- ❖ The use of this report is restricted to the use by the client cited, Ludington Area School District. This is the only client.
- ❖ It is not the intent of this report to estimate a value for any other use or by any other users or any other person or entity.
- ❖ This report and its contents cannot be relied upon by any other party or entity for any use.
- ❖ Any other use of this report in whole or in part by anyone other than the client cited herein renders it invalid and null and void.
- ❖ Nothing in this appraisal or in the engagement agreement shall create a contractual relationship between us or client and any third party. The client's acceptance of this appraisal provides prima facie evidence of their acceptance and agreement with the results of this appraisal and provides no cause of action in favor of any third party.
- ❖ This appraisal shall not be construed to render any person or entity a third party beneficiary of this appraisal, including, but not limited to, the property owner or any third party.
- ❖ NMREC, Mark J. Faucher and Edmond A. Langhorst accept no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this report.
- ❖ The client's acceptance of this appraisal provides prima facie evidence of the acknowledgement that we have duty to the client cited herein only and only said client can place reliability on the contents in this appraisal. There is no duty to any third party and no third party can place reliance on any of its contents.

## EFFECTIVE DATE OF VALUATION

The effective date of value is the date of inspection, December 23, 2019.

## INTEREST APPRAISED

The valuation focuses upon the fee simple estate, defined as follows:

Fee Simple Estate: *Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.* Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "fee simple estate." (Chicago: Appraisal Institute, 2015), PDF e-book, page 90.

## **PRESENT USE OF THE PROPERTY**

The present use of the subject property is a school building.

## **EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS**

**Extraordinary Assumption:** an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis (USPAP, 2020-2021 ed.).

**Hypothetical Condition:** a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.)

No hypothetical conditions exist. The following extraordinary assumptions are made:

The parcel/site sizes and building areas used in this appraisal were obtained from Ludington Area School District officials. It is an extraordinary assumption of this appraisal that the site size and building areas obtained from Ludington Area School District officials are accurate.

## **STATEMENT OF CO-AUTHORSHIP**

No one provided significant real estate professional assistance to us in the preparation of this report. Our qualifications are contained in the Addenda.

## **SCOPE OF WORK**

The appraisal problem is to estimate the market value of the fee simple estate to the subject property.

The subject is a 45,000 square foot masonry constructed two-story school building located in a residential area of Ludington, Michigan. It was constructed in 1925 with additions or renovations in 1969, 1991 and 2008. The site is fifteen city lots containing 115,800 square feet (2.66 acres). Ten of the lots are located on the north side of Foster Street and five of the lots are located on the south side of Foster Street. The building is situated in the center of the ten lots on the north side of Foster Street.

Our market research revealed an adequate number of sales of older school buildings like the subject to develop an indication of value by the Sales Comparison Approach. The only reliable approach to value is the Sales Comparison Approach.

For the reasons cited previously, the Cost Approach and the Income Approach are not applicable to the appraisal problem.

### **General Data**

General data concerns the social, economic, governmental, and environmental forces that impact property values. General data presented in this appraisal is found in the Area Description and Analysis and the Neighborhood Description and Analysis sections. We have gathered the general data from a variety of sources and publications. The sources are noted in the analyses. General data concerning the neighborhood is also based upon observations made during our inspection of the neighborhood.

### **Specific Data**

Data relating to the property being appraised and to comparable properties is referred to as specific data. Documents we have relied upon for specific data pertaining to the subject are listed in the General Assumptions. Additional data pertaining to the subject has been gathered from zoning maps, tax records, and other resources maintained in our library, local city halls and chamber of commerce, Mason County, and various State of Michigan offices.

Specific comparable data has been gathered from market participants. The extent of the comparable market data collection process varies for each type of comparable data.

The three recognized approaches to estimate the value of real estate are the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

## **SCOPE OF WORK (continued)**

### **Cost Approach to Value**

Typically, the Cost Approach is most reliable when dealing with a relatively new or proposed structure. It is less reliable for older, mature properties where numerous items of depreciation are evident.

The first consideration in the process requires that an estimate of the subject's land value be made. To accomplish this, recent sales, offerings and contracts for sale of similar vacant site properties within the area are collected, analyzed and compared to the subject site. A value estimate is drawn from this analysis for the subject site.

The depreciated cost of the subject improvements is then estimated. This provides an indication of market value of the improvements to the property by the Cost Approach. In the development of the value estimate of the improvements an estimate of Replacement Cost New for the improvements is made using information extracted from the Marshall Valuation Service, a nationally recognized cost index. From the cost new figures, estimates of accrued depreciation are deducted. Depreciation is considered from three sources: physical, functional and economic.

This approach is not applicable to the valuation problem. Older existing school buildings like the subject with significant physical depreciation and functional obsolescence are typically valued in this market based on comparisons to sales of other similar properties. Also, as buildings age, estimating physical deterioration and obsolescence become more subjective and unreliable. For these reasons, any indication of value that could be indicated through the development of the Cost Approach could be misleading and unreliable. Accordingly, it is considered not applicable to the subject property.



## **SCOPE OF WORK (continued)**

### **Sales Comparison Approach to Value**

The Sales Comparison Approach is an appraisal method in which the estimated market value is predicated upon sale prices paid in actual market transactions and current offerings for sale. It is a process of analysis and correlation of similar recently sold properties.

The premise of the Sales Comparison Approach is that the market will determine a price for the property being appraised in the same manner that it determines the sale prices of the comparable, competitive properties. As it relates to real estate, the comparison is applied to the unique characteristics of the physical and economic factors that cause real estate prices to vary.

The reliability of this approach is dependent upon the degree of comparability of the sales to the subject property. The elements of comparison are the characteristics of the property and their transactions that cause prices to vary. These elements are property rights, financing terms, conditions of sale, market conditions (time), location, physical characteristics and income characteristics. Rates and multipliers developed by the comparables are also considered.

The Sales Comparison Approach has been considered and is developed. There are a sufficient number of sales of vacant or soon to be closed school buildings similar to the subject in age and condition in west Michigan and northern lower Michigan to derive a reliable indication of value through the development of the Sales Comparison Approach. It is considered to be the only applicable approach to answer the appraisal problem posed by the subject.

## **SCOPE OF WORK (continued)**

### **Income Capitalization Approach to Value**

In the development of the Income Approach, an estimate of the potential gross income (PGI) of the subject is made based on historical and market sources. Estimates of vacancy, credit loss and operating expenses for the operation of the property are deducted. The expenditures are those that would typically be experienced by the market assuming prudent and reasonable management. The resulting income after deductions for expenses are made is an estimate of the subject's Net Operating Income (NOI).

The Net Operating Income is converted into value by means of the capitalization process. This process utilizes market derived capitalization rates as a basis to select a capitalization rate for the subject. Dividing the net operating income by the capitalization rate selected for the subject results in an indication of value.

Older schools like the subject are not typically rented. None of the sales of school buildings found in our market research including the sales used in the development of the Sales Comparison Approach were rented or held for investment purposes. There is no market rental or capitalization rate data. The Income Approach is not applicable and is not developed.

### **Final Reconciliation**

In the Final Reconciliation, the indications of value are reconciled to a single conclusion of value. In this instance, only the Sales Comparison Approach is developed.

## REPORT TYPE

Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice sets forth two different reporting options, as follows:

- (a) Appraisal Report.* Appraisal Reports should contain all pertinent data considered and all analyses developed in arriving at the conclusion of value.
- (b) Restricted Appraisal Report.* A Restricted Appraisal Report merely states the major conclusions without discussion of the data considered and the analyses conducted. This report is intended to comply with the requirements for an Appraisal Report.

This is an Appraisal Report prepared under Standards Rule 2-2 (a) of the Uniform Standards of Professional Practice, Appraisal Standards Board of the Appraisal Foundation.

## COMPLIANCE

We have developed this appraisal in compliance with:

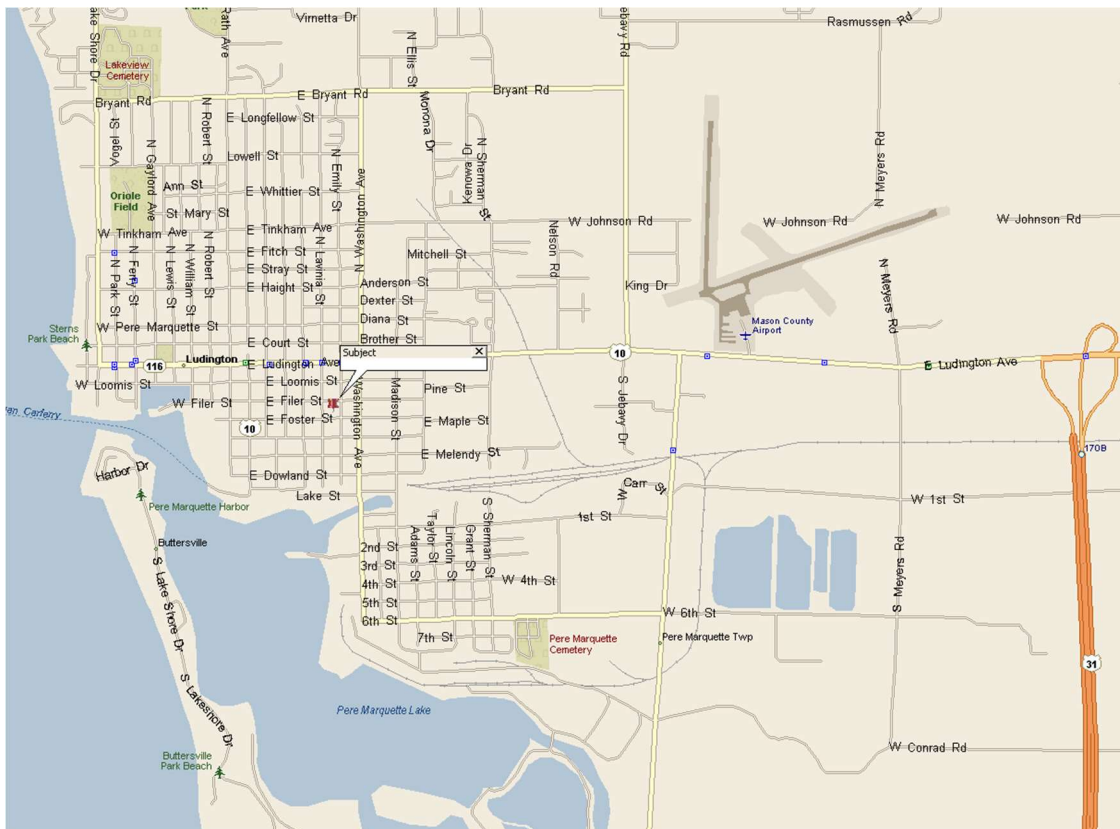
- The requirements of the Code of Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- The Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Foundation.

## REGIONAL DATA

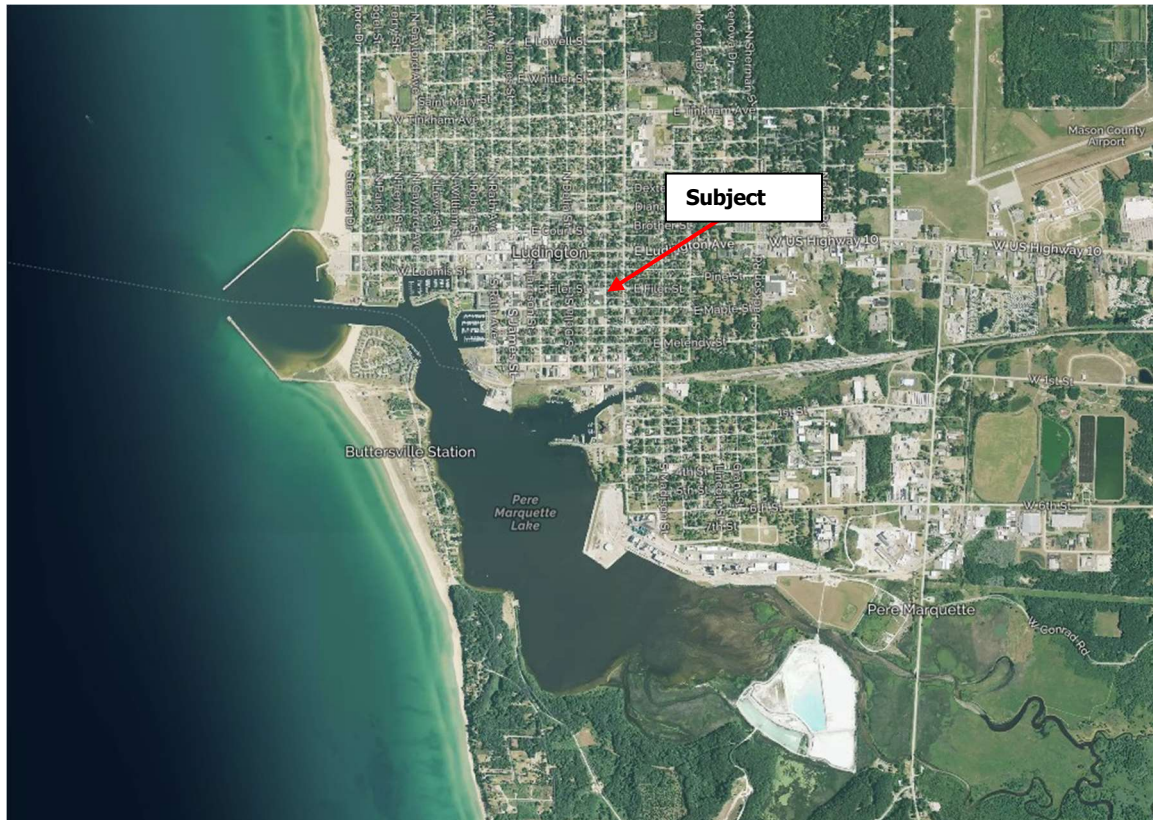
Regional data is contained in the Addenda.

## NEIGHBORHOOD DATA

The subject is located in an established residential area within the City of Ludington limits. Few commercial uses are noted. There is a church immediately to the south of the subject. Most of the houses in this area are older single-family houses on small lots, generally 60' x 140'. Pere Marquette Lake is located to the west of the subject where the Ludington Municipal Marina, Harbor View Marina and Waterfront Park are located along the east shore. There are commercial uses including restaurants and retail shops along James Street four blocks west of the subject. Ludington's CBD is located a short distance to the northwest. Generally speaking, properties in the subject's vicinity are homogeneous and supportive in nature. The subject's neighborhood in all directions can be generally classified as being in the mid-stage of its life age cycle. The area appears economically stable.



Ludington's downtown area was built at the turn of the century. Many of the buildings in the area have been remodeled from time to time over the years. Most are in fair to good condition. Remodeling is sporadic and somewhat limited throughout the downtown area. The CBD along Ludington Avenue appears stable economically. The retail stores here are specialty shops and retail businesses. Many cater to tourists.

**NEIGHBORHOOD DATA (continued)**

**Location:** The subject property is located in an established residential area in the City of Ludington, Mason County, Michigan. The address is: 504 East Foster Street, Ludington, Michigan 49431.

**Shape:** Rectangular. It is made up of ten 60' x 140' city lots on the north side of Foster Street and five city lots with 60' widths and varying depths along the south side of Foster Street.

The map shows a residential neighborhood with the following streets and lots:

- S. Lavinia St.** (top street)
  - Lot 1: 001-00, 47
  - Lot 2: 002-00, 2
  - Lot 3: 003-00, 3
  - Lot 4: 004-00, 4
- S. Emily St.** (middle street)
  - Lot 1: 001-00, 47
  - Lot 2: 002-00, 2
  - Lot 3: 003-00, 3
  - Lot 4: 004-00, 4
- S. 1st St.** (bottom street)
  - Lot 1: 001-00, 47
  - Lot 2: 002-00, 2
  - Lot 3: 003-00, 3
  - Lot 4: 004-00, 4

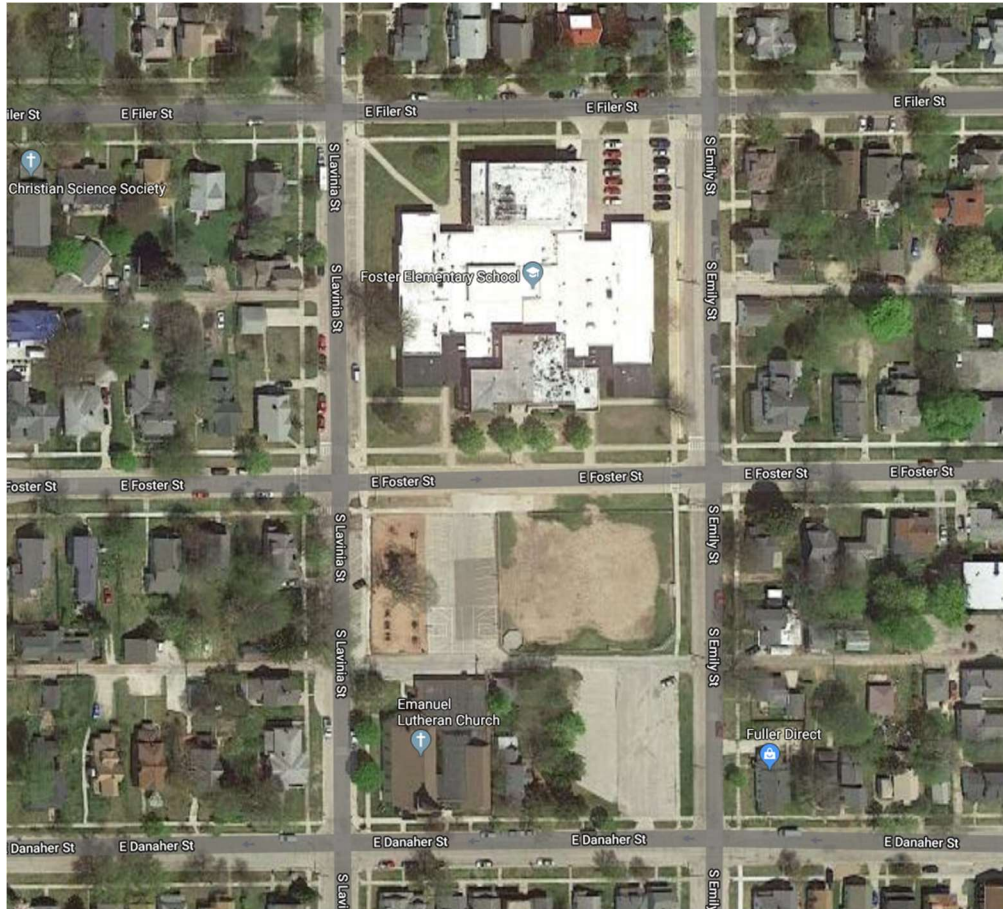
A yellow speech bubble points to the word **Subject** on a lot. The map is overlaid with a grid of dashed lines and numbers, and a large '31' is visible in the center.

Northern Michigan Real Estate Consultants  
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## SITE DESCRIPTION (continued)



### Improvements:

The school building is centrally located in the northern portion of the site. There are concrete sidewalks surrounding the building on all sides. There is a small parking lot located in the northeast portion of the site. There is a playground area and a parking lot located in the portion of the site situated on the south side of Foster Street.



## **SITE DESCRIPTION (continued)**



**Foster Street Viewing East**



**Foster Street Viewing West**



**Lavinia Street Viewing North**



**Lavinia Street Viewing South**

## **SITE DESCRIPTION (continued)**



**Filer Street Viewing East**



**Filer Street Viewing West**



**Emily Street Viewing North**



**Emily Street Viewing South**

## **SITE DESCRIPTION (continued)**

### **Topography/**

#### **Terrain:**

Generally level across the entire site. The property is at grade with the streets it adjoins.

#### **Access:**

The property is accessible from the north and south sides of Foster Street, the south side of Filer Street, the east side of Lavinia Street and the west side of Emily Street. There is some on-site parking at the northeast corner of the site and adequate street parking available. There is on-site asphalt paved parking on the portion of the site located on the south side of Foster Street. This area is used for playground area during school hours and is used by the church located immediately to the south of the subject for Sunday church services.

### **Street**

#### **Improvements:**

Foster Street, Filer Street, Lavinia Street and Emily Street are all asphalt paved. Emily Street and Lavinia Street have two lanes of traffic flow, one in each direction. Foster Street and Filer Street are both one-way streets. Foster Street flows to the east and Filer Street flows to the west.

#### **Soil Conditions:**

A soil report was not received nor reviewed. However, it is assumed that the soil's load-bearing capacity is sufficient to support the existing structure. Evidence to the contrary was not observed during the physical inspection of the property. The site's drainage appears to be adequate.

#### **Utilities:**

Water:	Municipal.
Sewer:	Municipal.
Electricity:	Public.
Gas:	Public.
Telephone:	Public.

#### **Land Use**

A title report was not provided to review. Other than typical utility easements, any further easements, encroachments, or restrictions that would adversely affect the site's use are not known.

#### **Flood Hazard:**

According to FEMA flood map panel number 26105C0230C effective July 16, 2014, the subject is located in zone X area of minimal flood hazard.

#### **Wetland:**

A wetland survey was not provided. The subject does not appear to be in a designated wetland. If subsequent engineering data reveal the presence of regulated wetland, it could materially affect property value. A wetland survey by a competent engineering firm is not recommended.



## **SITE DESCRIPTION (continued)**

### **Hazardous Substances:**

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, or petroleum leakage, which may or may not be present on the property, or other environmental conditions, were not called to our attention nor did we become aware of such during the inspection. We, however, are not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, or other hazardous substance or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

### **Functional Adequacy Of The Site:**

The subject site is rectangular. It is an adequately sized site which appears to functionally support a building improvement as large as the existing building. The site is well located with good access, road frontage and visibility. There does appear to be some functional inadequacy due to the site being partially located on the south side of Foster Street and a portion of the site being located on the north side of Foster street. The site is considered functionally adequate and well suited for a residential use development.

## IMPROVEMENTS

The following description regarding the construction details and subject improvements is based on a physical inspection of the property by Edmond A. Langhorst and information supplied to us by the client including a 2018 Facilities Assessment that can be found on the Ludington Area Schools website.

The subject is a 45,000 square foot school building. The building is masonry constructed (CMU block) with a concrete foundation. The original 21,100 square feet was constructed in 1925. There was a 10,500 square foot addition in 1969, a 9,400 square foot addition and renovation in 1991 and a 4,000 square foot addition and renovation in 2008. The building's exterior construction consists of brick veneer exterior walls and a semi-flat membrane covered roof.



**Subject Viewing South and West Sides**



**Subject Viewing North and West Sides**



**Subject Viewing North and East Sides**



**Subject Viewing South and East Sides**

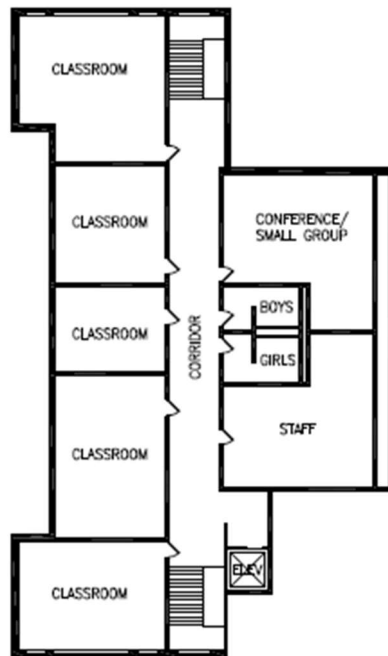
## IMPROVEMENTS (continued)

The drawing presented next was supplied by Ludington Area Schools. The first-floor layout is presented below. The second-floor layout is presented on the following page.



### First Floor

## IMPROVEMENTS (continued)



## Second Floor

## **IMPROVEMENTS (continued)**

The building's layout consists of two floors. The details of each floor are as follows:

### **First Floor**

The first floor has 12 classrooms (many with bathrooms), a main entry at the south end of the building, an office, special ed rooms, a music room, computer rooms, a media center, an art lab, a boiler room, a gymnasium with a stage and multiple storage areas, a kitchen, three sets of girl's and boy's bathrooms, three common bathrooms, and various other rooms and storage areas.

### **Second Floor**

The second floor has five classrooms, girl's and boy's bathrooms, a staff bathroom, conference/small group room and storage areas. The second floor is accessed via two stairwells (one at the east end of the building and one at the west end of the building) and an elevator.

The building's interior construction and finishes are of average quality and are in average condition. Interior walls are painted CMU block, brick and painted drywall. Ceilings are generally either suspended acoustical tile or painted drywall. Lighting throughout the building is generally fluorescent tube. The flooring is a combination of carpet, ceramic tile, vinyl composite tile, sheet vinyl and a wood sports floor in the gymnasium. Heat is provided by hot water boilers. There are air handling units located above the second floor and serve the south end of the building. Some of the building has air conditioning, however, the building does not have central air conditioning. There is no fire suppression system.

There is no basement, however, there is a small below grade area under the stage in the gymnasium that is mostly used for storage.



## **IMPROVEMENTS (continued)**



**View of Main Entrance**



**View of Office**



**View of Typical Hallway**



**View of Typical Bathroom**

## **IMPROVEMENTS (continued)**



**View of Typical Classroom**



**View of Typical Classroom**

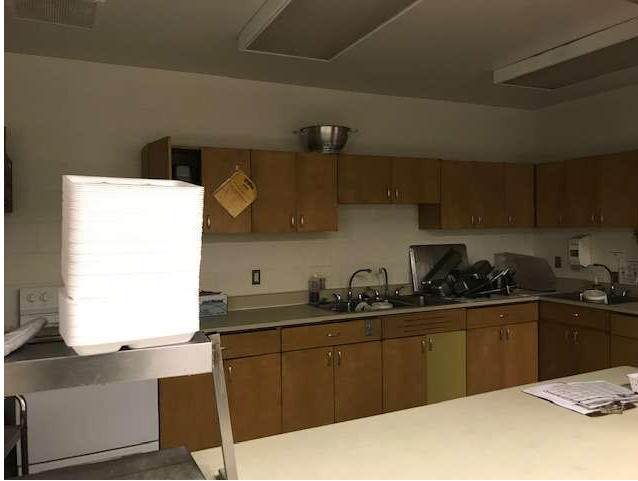


**View of Typical Classroom Bathroom**



**View of Library**

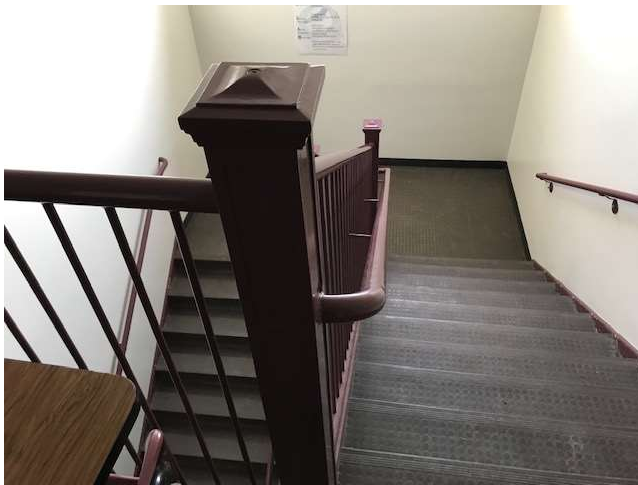
## **IMPROVEMENTS (continued)**



**View of Kitchen**



**View of Gymnasium and Stage**



**View of Typical Stairwell**



**View of Boilers**

## **IMPROVEMENTS (continued)**

### **GENERAL DATA**

**Year Built:** 1925 with additions/renovations in 1969, 1991 and 2008.

**Gross Building Area:** 45,000 square feet.

### **CONSTRUCTION DETAIL**

**Foundation:** Concrete.

**Framing:** CMU block.

**Floors:** Concrete.

**Exterior Walls:** Brick veneer.

**Roof Structures:** Metal trusses.

**Roof Cover:** Semi-flat, membrane covered.

**Fenestration:** Double pane thermally broken in aluminum.

**Access:** There are multiple entry points. Exterior doors are aluminum storefronts or hollow metal.

## **IMPROVEMENTS (continued)**

### **MECHANICAL DETAIL**

**Heating and  
Cooling:**

Rooftop air handling units and boilers. Portions of the building have air conditioning.

**Plumbing:**

Assumed to be adequate for current use and in compliance with building codes.

**Electrical Service:**

Assumed to be adequate for current use and in compliance with building codes.

**Fire Suppression:**

None.

### **INTERIOR DETAIL**

**Floor Covering:**

A combination of carpet, ceramic tile and vinyl tile. Wood sports floor in the gymnasium.

**Walls:**

Painted CMU block, brick and or painted drywall.

**Ceilings:**

Generally acoustical lay-in tile with areas of painted drywall.

**Interior Doors:**

Wood in hollow metal frames.

**Lighting:**

Generally fluorescent throughout.

**Restrooms:**

Many classrooms have bathrooms. Four sets of girl's and boy's bathrooms as well as various common and staff bathrooms located throughout the building.



## IMPROVEMENTS (continued)

### SITE DESCRIPTIONS

<b>On-Site Parking:</b>	There is a small on-site parking lot at the northeast corner of the site. There is also an asphalt paved parking lot in the southern portion of the site that is utilized as playground area during school hours. There is adequate street parking surrounding the property.
<b>Landscaping:</b>	The site is adequately landscaped.
<b>Type of Construction:</b>	Class "C" concrete block structure.
<b>Quality of Construction:</b>	Average.
<b>Functional Utility:</b>	The structure is considered to have a functional design that is generally typical of its era. However, the building may display some functional obsolescence when compared to current construction tastes and standards for this property type.
<b>Condition:</b>	<p>The building is in average condition.</p> <p>The subject improvements are average class "C" masonry construction. Its effective age is estimated at 23 years. The normal economic life for a property of this type is 45 years, indicating a remaining economic life of approximately 22 years.</p>

Additionally, the following building information was provided by Ludington Area Schools.

<b>Building Information</b>
<b>Gross Building SF:</b> 45,000 ft <sup>2</sup>
<b>Building Height:</b> TBD
<b>Date Constructed:</b> 1925
<b>Date(s) Renovated:</b> 1969, 1991, 2008
<b>HVAC System:</b>
Mix of central air handlers located indoor and rooftop units serving larger spaces. Unit ventilators serving classrooms with a mix of under the window and ceiling mounted units. There is no central cooling system, only a limited DX cooling system. Central heating boiler system with hot water boiler and pumps. Miscellaneous exhaust fans and terminals heating units throughout the building.

## **AMERICANS WITH DISABILITIES ACT (ADA)**

The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more for the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since the we have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in the estimated value of the property. However, the notes presented on the following page were taken from the Facilities Assessment from the Ludington Area Schools website.

## **AMERICANS WITH DISABILITIES ACT (ADA) (continued)**

### **Foster Elementary**

### **ADA Accessibility Assessment**

#### Assessment Notes:

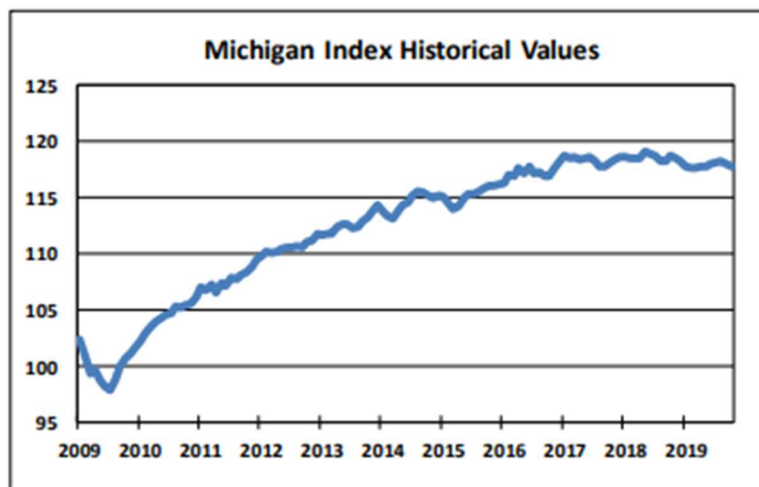
1. Interior
  - a. The first floor restrooms, across from the gymnasium, are not compliant with current ADA requirements, in regards to toilet compartments, sinks, faucets, accessories, and turning clearances. To reconfigure the restrooms requires a complete reconstruction.
  - b. The showers are not code compliant for ADA (or plumbing) requirements.
  - c. The restrooms located in the main lobby area are partially compliant and could be reconfigured to meet current standards.
  - d. The second floor restrooms are compliant, with the exception of a vertical grab bar.
  - e. In general, the door hardware is a lever type, and in compliance.
  - f. There is an elevator that meets current ADA requirements.
  - g. Classroom sinks and hardware are compliant.
  - h. An auto door operator was not observed on the front entry doors or at the back parking lot area.
  - i. The raised platform in the gymnasium is not compliant. A ramp or lift is needed to meet current requirements.
2. Exterior
  - a. There is very limited ADA parking and it is not clearly defined. One striped parking spot noted in a secondary entrance lot.
  - b. No ADA signage noted.
  - c. No tactile warning strips noted at curb cut downs.
  - d. The ramp noted at the front entry exceeds the slope limits for ADA compliance.



## MARKET CONDITIONS

### Comerica - Michigan Economic Activity Index, January 3, 2020

Comerica Bank's Michigan Index Dips Again. Comerica Bank's Michigan Economic Activity Index declined in October to a level of 117.8. October's reading is 20 points, or 20 percent, above the index cyclical low of 97.9. The index averaged 118.6 points for all of 2018, 0.2 points above the index average for 2017. September's index reading was revised to 118.0. Comerica Bank's Michigan Economic Activity Index ticked down again in October as the GM/UAW strike impacted key data series. We expect the Michigan Index to rebound in November, showing the positive impact of the strike's early-November resolution. For October, only two out of nine components of the Michigan Index were positive. They were housing starts and state sales tax revenue. Residential construction lifted in many areas in late 2019 as home sales improved following the Federal Reserve's cut of key interest rates through last summer and fall. The house price sub-index and the hotel occupancy sub-index were both unchanged in October. The five declining components in the Michigan Index for October were nonfarm employment, unemployment insurance claims (inverted), industrial electricity demand, light vehicle production and total state trade. All five declining components were weighed down by the 6-week-long strike at GM. Even though striking workers are not eligible for unemployment insurance benefits, the production shutdown at GM backed up their supply chain, resulting in temporary layoffs of non-striking workers. Many of those workers were eligible for unemployment insurance benefits. The expected ratification of the USMCA trade deal is also good news for Michigan's manufacturing sector. As is the expected signing of a Phase 1 trade deal with China.



## MARKET CONDITIONS (continued)

### Comerica - Michigan Economic Outlook, November 8, 2019

Michigan Economy Downshifts in 2020. We expect to see cooler growth in the Michigan economy in 2020. The recently ended, six-week-long strike by United Auto Workers employees of General Motors came at a vulnerable time for the state economy as other sectors outside of durable goods manufacturing showed signs of cooling this year. Contract ratification bonuses paid out by GM will help to offset the loss of wages by striking workers. Still, the economic reach of auto production within the state is extensive and many other workers and businesses will not be able to recoup lost income and revenue due to the strike. U.S. light vehicle sales eased to a 16.6 million unit rate in October, extending a gradual cooling trend since sales peaked at an 18.2 million unit rate in August 2015, according to Autodata. Auto sales tend to be responsive to consumer confidence, so there is a rising vulnerability for the Michigan economy late this year as impeachment proceedings in the House of Representatives become public. Consumer confidence was negatively impacted by the Clinton impeachment proceedings in late 1998/early 1999. Job growth was strong through that period, fueled by the Dotcom Bubble, and that helped to offset the loss of consumer confidence due to the political scandal. In the current climate, the U.S. economy is posting mixed results and international indicators are generally cool. Cooler auto sales late this year and early next year would contribute to near stagnant overall job growth for Michigan heading into 2020. As of September, total employment for Michigan was up by just 0.6 percent over the previous 12 months, well below the U.S. average 1.5 percent growth for the same time period. The state unemployment rate will remain tight, below 4 percent, even though the rate of hiring will be cooler next year.

<b>Michigan Economic Outlook</b>											
	2Q'19a	3Q'19a	4Q'19f	1Q'20f	2Q'20f	3Q'20f	4Q'20f	1Q'21f	2018a	2019f	2020f
<b>State GDP</b>											
Real GDP (Chained 2009 Millions \$)	478115	479180	473029	477612	477971	479804	481109	482460	468387	476572	479124
<b>Percent Change Annualized</b>	<b>1.8</b>	<b>0.9</b>	<b>-5.0</b>	<b>3.9</b>	<b>0.3</b>	<b>1.5</b>	<b>1.1</b>	<b>1.1</b>	<b>2.7</b>	<b>1.7</b>	<b>0.5</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Thousands)	4444	4445	4448	4464	4481	4479	4484	4488	4419	4445	4477
<b>Percent Change Annualized</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>1.5</b>	<b>1.5</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.4</b>	<b>1.1</b>	<b>0.6</b>	<b>0.7</b>
Unemployment Rate (Percent)	4.2	4.2	4.3	4.1	4.1	4.0	4.0	4.0	4.1	4.2	4.1
Population (Thousands)	10004	10005	10006	10006	10005	10004	10003	10001	9996	10004	10004
<b>Percent Change Annualized</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>
Net Migration (Thousands)	-0.1	-0.6	-1.3	-2.1	-2.2	-2.8	-3.2	-3.6	2.6	-1.8	-10.3
<b>Personal Income</b>											
Total Personal Income (Nom., Millions \$)	501071	505118	510516	517275	522765	527970	533793	539467	484030	502893	525451
<b>Percent Change Annualized</b>	<b>5.1</b>	<b>3.3</b>	<b>4.3</b>	<b>5.4</b>	<b>4.3</b>	<b>4.0</b>	<b>4.5</b>	<b>4.3</b>	<b>4.9</b>	<b>3.9</b>	<b>4.5</b>
<b>Housing</b>											
Housing Starts (Total, Ann. Rate)	20170	19636	19421	19649	19715	19791	19853	19918	19309	19366	19752
<b>Percent Change Annualized</b>	<b>49.6</b>	<b>-10.2</b>	<b>-4.3</b>	<b>4.8</b>	<b>1.3</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>	<b>-14.2</b>	<b>0.3</b>	<b>2.0</b>
SF Housing Starts (# of Units, Ann Rate)	15225	15673	15739	15936	15990	16050	16104	16159	16390	15254	16020
MF Housing Starts (# of Units, Ann Rate)	4945	3962	3682	3713	3725	3740	3748	3759	2919	4112	3732
Existing Home Sales (Ths. of Units, Ann Rate)	181	182	183	184	184	185	185	185	190	181	185
House Prices, FHFA (1991 Q1=100, SA)	239	241	242	245	247	250	252	254	227	240	248
<b>Year/Year Percent Change</b>	<b>6.3</b>	<b>5.4</b>	<b>4.1</b>	<b>3.7</b>	<b>3.1</b>	<b>3.6</b>	<b>3.9</b>	<b>3.5</b>	<b>7.8</b>	<b>5.6</b>	<b>3.6</b>
<b>Bankruptcies</b>											
Total Business (12 Months Ending)	512	522	543	553	561	558	564	568	400	520	559
Total Personal (12 Months Ending)	29506	29902	30138	30090	30220	30338	30467	30633	29609	29705	30279
<b>a = actual f = forecast</b>											

## **MARKET CONDITIONS (continued)**

A thorough search of Lake Michigan port cities including Ludington, Pentwater, Manistee, Grand Haven, Saugatuck, South Haven, Frankfort, Charlevoix, Petoskey and Mackinaw City has been conducted of sales of school buildings. Lake Huron port cities including Cheboygan, Rogers City and Alpena were also searched. Local MLS systems, assessment records including interviews with local assessors and school districts were utilized. No comparable sales were found in these cities. As such, market research for comparable sales was expanded to include all of northern lower Michigan and west Michigan.

A search of multiple MLS systems (Water Wonderland MLS, NMMLS, NGLRMLS, Paul Bunyan MLS, Clare-Gladwin MLS, MichRic and CARWM) and this firm's appraisal files revealed 27 sales of school buildings of widely varying locations, sizes, ages, quality and condition. The parameters used for the search were for sales occurring from January 1, 2014 to the present (including pending sales).

The buildings range in size from as small as 5,500 square feet to a campus with multiple buildings totaling 126,997 square feet.

Site sizes range from 0.43 acres to 20 acres.

Sale prices per square foot range from \$0.60 per square foot to \$27.56 per square foot. The mean sale price per square foot is \$9.72 per square foot. This figure appears to be skewed by the upper end of the range. The median sale price per square foot is \$6.56 per square foot.

Sale prices range from \$18,000 up to \$3,500,000. The mean sale price is \$298,556. The mean sale price appears to be skewed by the highest price of \$3,500,000. The median sale price is \$120,000.

These sales represent a wide range of properties. Locations range from rural to urban. There is a wide range of construction dates ranging from approximately 1900 to 2001.

Our market research revealed very few sales of schools within city limits serviced by municipal water and sewer similar to the subject. Most sales found with these attributes had been vacant for extended periods and were in poor condition or had fallen into such disrepair that they are not comparable to the subject.

Of the sales of school buildings found in our search of the market, those considered to be most similar to the subject are detailed on the following pages (some of these sales will be used as comparable properties in the Sales Comparison Approach).

## MARKET CONDITIONS (continued)

- 1) **2329 Center Street, Boyne Falls, Charlevoix County – Sold July 24, 2018:** This is an old school building that was originally constructed in 1946 with additions in 1965 and 1989. It is 37,500 square feet. The site is 3.04 acres. A separate parcel containing the playground was not included in the sale. The building is block constructed on a concrete slab. The layout consists of 19 classrooms, 6 offices, 2 locker rooms, 10 bathrooms, a gymnasium, a kitchen, a cafeteria, 3 multi-purpose rooms, custodial closets and a boiler room. Heat is provided by two high-efficiency natural gas boilers that were installed in 2009. The property is served by the village municipal water system and an on-site septic tank farm. Windows were replaced in 2000. This property was listed in the NMMLS (#456110) on July 24, 2018 for \$425,000. The property went under contract December 4, 2018 and sold August 27, 2019 for \$300,000 after 400 days on the market. This is comparable sale #201 in the Sales Comparison Approach.
- 2) **239 First Street, Trufant, Montcalm County – Sold July 25, 2019:** This is an old school building that was originally constructed in 1960. It is 26,660 square feet. According to the listing agent, the site is 2.07 acres. It was split from two larger parcels. The building is block constructed on a concrete slab. According to the listing agent, the school district spent \$2,000,000 on the building in 2004 or 2005. The listing states that Lakeview schools invested over \$1,000,000 in improvements before closing the school. The listing agent said the school had been closed for about three years prior to the sale. He also said the school was in good condition. The boilers were good and that the kitchen was the best in the school district. The layout includes classrooms and a gymnasium. There is a private well and septic system. The buyer uses the building for receptions, flea market, Christian rock concerts and a Christian academy. This property was listed in the MichRic MLS (#19016762) on April 26, 2019 for \$200,000. It sold July 25, 2019 for \$175,000 cash after 54 days on the market. According to the listing agent, this was an arms-length transaction. This is comparable sale #202 in the sales comparison Approach.
- 3) **200 Greenfield, Edmore, Montcalm County – November 22, 2019:** This is an old school building that was originally constructed in 1955. It is 23,000 square feet. The site is 8.86 acres. The building is block constructed on a concrete slab. According to the listing agent, the building was in fair to good condition. The boilers did not work and the roof had leaks. Also, some of the rooms had been gutted for renovation. The property is served by municipal water and sewer. The layout consists of 16 classrooms (each with a bathroom), office space, a commercial kitchen and a gymnasium. The buyer intended to use the building for warehousing. This property was listed in the MichRic MLS (#19034700) on July 24, 2019 for \$89,900. It sold November 22, 2019 for \$70,000 on a land contract after 122 days on the market. According to the listing agent, this was an arms-length transaction. The land contract terms were equivalent to conventional financing.

## MARKET CONDITIONS (continued)

- 4) **324 North Queen Street, Nashville, Barry County – July 23, 2019:** This is the former Nashville High School. It is 20,000 square feet. The site is 2.0 acres. The building is a two-story block constructed building with a 5,000 square foot basement. The basement houses the mechanicals and is not finished. The layout consists of seven large classrooms, offices, bathrooms and a gymnasium with a stage. According to the listing agent, the building had been vacant for many years and was in rough condition. He said that the boilers did not work. The property is served by municipal water and sewer. This property was listed in the MichRic MLS (#17056101) on November 14, 2017 for \$149,900. It sold on July 24, 2019 for \$40,000 cash after 616 days on the market. There were multiple price reductions during the listing period. The listing agent attributed this to the building's physical deterioration and issues with zoning. According to the listing agent, this was an arms-length sale to an investor. The listing agent did not know what the buyer intended to do with the property.
- 5) **2389 East Laketon, Muskegon, Muskegon County – Sold January 31, 2017:** This is the first of two sales of this property since 2017 (see sale #6 below). This 39,598 square foot school, built in 1938 on 10.9 acres, was vacant when it was listed for sale in April 2016 for \$149,000, but its new roof and maintenance record indicated that it could be converted to other uses. It went under contract seven months later for \$100,000, or \$2.53 per square foot. This is a mixed-use neighborhood, and the purchaser is an industrial user who wanted the land, and may re-list the building if he cannot get approvals for industrial use.
- 6) **2389 East Laketon, Muskegon, Muskegon County – Sold March 18, 2019:** This is the second of two sales of this property since 2017 (see sale #5 above). It was listed in the MichRic MLS (#17013860) on April 4, 2017 for \$169,900. It sold March 18, 2019 for \$140,000, or \$3.54 per square foot. Attempts to reach the listing agent to confirm details of this transaction were unsuccessful. It is not known what caused the higher sale price when compared to the 2017 sale of this property.
- 7) **340 Cliff Street, Battle Creek, Calhoun County – Sold July 13, 2018:** This is an old school building that was originally constructed in 1935. It is a two-story building with a full walk-out basement. The first and second floors total 29,000 square feet. The basement is 12,836 square feet. Based on MLS pictures, the basement appears to be at least partially finished with classrooms. The site is 2.22 acres. The building is masonry constructed. The layout includes several classrooms, offices and a gymnasium. Heat is provided by natural gas boilers. The property is served by municipal water and sewer systems. This property was listed in the MichRIC MLS (#18014612) on April 13, 2018 for \$300,000. The property sold July 13, 2018 for \$300,000 after 63 days on the market. This is comparable sale #203 in the Sales Comparison Approach.

## MARKET CONDITIONS (continued)

- 8) **2740 Mannix Street, Niles, Cass County – Sold June, 23, 2017:** This is an old school building that was originally constructed in 1950. It is 15,170 square feet. The site is 6.02 acres. The building is block constructed on a concrete slab. It has boiler heat. According to the listing agent, the building was in good condition as it was an operating school until just before the sale. The buyer converted the building into a residence. It has a private well and septic system. This property was listed in the MichRic MLS (#17008536) on March 2, 2017 for \$115,000. It sold June 26, 2017 for the full asking price of \$115,000 after 112 days on the market. According to the listing agent, this was an arms-length transaction. This is comparable sale #204 in the Sales Comparison Approach.
- 9) **136 West Webster Avenue, Muskegon, Muskegon County – Sold October 30, 2017:** This property has sold three times since 2011. First, it sold September 12, 2011 for \$20,000. It then sold December 9, 2015 for \$104,000. The listing agent for this sale, Mr. Patrick Mohny, stated that no improvements had been made since the 2011 sale. The higher sale price is attributed to improvements in the market. The building was in poor condition at this time. The most recent sale of this property occurred October 30, 2017 for \$165,000. It is MichRIC listing number 17040301. The listing agent, Mr. Bryan Bench, stated that this was an arms-length sale. He also said that the seller had spent approximately \$70,000 on masonry repair and a new roof. The new roof cost \$46,000. The seller had planned to redevelop the building but the plans never materialized. Mr. Bryan thinks the buyer planned to redevelop the building with retail in the first floor and residential in upper levels. The building was constructed in 1920 and is 17,392 square feet. It has city water and sewer, a basement and a gymnasium. The site is 0.43 acres.
- 10) **300 Republic Street, Alma, Gratiot County – Sold September 25, 2017:** This 24,870 square foot school built in 1919 on 1.28 acres, had been vacant for several years when it was listed for \$63,000. It was sold two years later to a local developer, who bought it in "as is" condition and immediately cured severe deferred maintenance, paying \$18,000, or \$.72 per square foot. According to the selling agent, the developer had existing relationships with the school board, and agreed to confer with the board about proposed uses.

## MARKET CONDITIONS (continued)

- 11) **405 South Fourth Street, Blanchard, Isabella County – Sold October 21, 2016:** This 20,000 square foot building, built in 1958 on 5.6 acres, had been vacant since 2008 when it was first listed for sale in 2011 for \$179,000. During the five-year listing period, signs of mold were detected, and the price was steadily reduced. The building sold to private individuals in October 2016 for \$12,000, or \$.60 per square foot. The new owners had intended to renovate the school for a senior living facility but learned that it did not have needed proximity to a hospital or a qualifying pharmacy to meet licensing criteria. This property is currently on the market with an asking price of \$89,000. Since the 2016 sale a cell tower was constructed on the property that the listing agent believes is income producing. He also stated that he recently had a cash offer in excess of \$50,000 for the property that fell through.
- 12) **600 East Barney Avenue, Muskegon Heights, Muskegon County – Sold May 13, 2016:** This building was in use until July, 2014. It is 44,194 square feet with 20 classrooms, a gym, a kitchen and a fenced in playground. It sold for \$40,000 or \$0.91 per square foot.
- 13) **4931 North Bailey Road, Coral, Montcalm County – Sold March 18, 2016:** This 11,000 square foot school building sold on March 18, 2016 for \$30,000 or \$0.63 per square foot. The building contains 9 classrooms, a gym, stage, kitchen and a playground. The site is 1.45 acres.
- 14) **7065 Dietz Road, Alpena, Alpena County – Sold December 23, 2016:** This 17,014 square foot school building sold on December 23, 2016 for \$32,900 or \$1.93 per square foot. The listing agent stated that the building was in poor condition and needed a lot of work. The site is 20.00 acres.

## MARKET CONDITIONS (continued)

The following table summarizes these transactions:

	Address	Year Built	Site Size (Acres)	Sale Price/SF
1	2329 Center Street, Boyne Falls	1946	3.04	\$8.00
2	239 First Street, Trufant	1960	2.07	\$6.56
3	200 Greenfield, Edmore	1955	8.86	\$3.04
4	324 N Queen Street, Nashville	Unknown	2.00	\$2.00
5	2389 E Laketon, Muskegon	1938	10.90	\$2.53
6	2389 E Laketon, Muskegon	1938	9.00	\$3.54
7	340 Cliff Street, Battle Creek	1935	2.22	\$10.34
8	2740 Mannix Street, Niles	1950	6.02	\$7.58
9	136 W Webster Avenue, Muskegon	1920	0.43	\$9.49
10	300 Republic Street, Alma	1919	1.28	\$0.72
11	405 S Fourth Street, Blanchard	1958	5.60	\$0.60
12	600 E Barney Avenue, Muskegon Heights	Unknown	3.67	\$0.91
13	4931 North Bailey Road, Coral	1937	1.45	\$0.63
14	7065 Deitz Road, Alpena	1950s	20.00	\$1.93

The sales selected for the Sales Comparison Approach are at the upper end of the range of sale prices. Of the sales presented above, the sales selected for the Sales Comparison Approach are the most similar to the subject with regard to age, condition and site size.



## **MARKETING TIME**

Based on the previously noted definition of value, the property must be allowed a reasonable time to be exposed in the open market to achieve the appraised value.

Our research did not discover any factors that would reasonably suggest that the subject property is not marketable. If priced appropriately, near the appraised value, the subject property should sell within a reasonable period of time.

Based on the data analyzed, the current state of the national economy, and the previous discussion, it is believed that the subject should sell within 12 months or less. This assumes that market conditions are similar to what they are currently and that the asking price is reasonably close to the market value.

## **EXPOSURE TIME**

Exposure time is the time it would have taken for the subject property to sell prior to the effective date of appraisal.

Based on the data previously discussed and the complete body of research conducted for this report, it is believed that the subject would have sold within 12 months or less prior to the date of appraisal. This assumes that the asking price would have been reasonably close to its market value.

## DEFINITION AND DISCUSSION OF HIGHEST AND BEST USE

### *HIGHEST AND BEST USE.*

1. *The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*
2. *The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS).*
3. *[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions).*

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., s.v. "highest and best use." (Chicago: Appraisal Institute, 2015), PDF e-book, page 109.*

*Highest and best use analysis is a three-step process. The first step involves the highest and best use of a site as though vacant. The determination must be made to leave the site vacant or to improve it. If the conclusion is to improve the site, the second step is to determine the ideal improvement. The final step is a comparison between the ideal improvement and the existing improvement. At this point, the determination must be made to maintain the property in its present form or to modify the improvements to more closely conform with the ideal.*

*Report Writing and Valuation Analysis, Copyright, 2006, published by the Appraisal Institute.*

## DEFINITION AND DISCUSSION OF HIGHEST AND BEST USE (continued)

### AS IF VACANT

**Legally Permissible:** The subject is zoned R2-A General Single-Family Residential District. The zoning district allows single family homes or certain other uses such as schools, parks and playgrounds which provide a neighborhood environment. There are no known private or deed restrictions that may affect the use of the property for allowed uses in this zone. There are no known zoning changes expected that will affect the subject. The subject's use could be any use allowed by the ordinance as if vacant.

**Physically Possible:** As discussed in the property description, the site's size, shape, road frontage, accessibility, visibility, soil, and topography do not physically limit its potential use. The site is served by all necessary utilities and is physically capable of supporting uses which conform to the zoning district.

**Financially Feasible:** After consideration of the neighboring property influences, the economic climate in the surrounding area, and the current and potential future market demand for the permitted uses, the financially feasible use of the site, as vacant land, is for development of a residential project that would maximize the use of the overall site size and permitted density. A residential use as allowed by the zoning regulations could be financially feasible at the present time in the market.

**Maximally Productive:** After consideration of the neighboring property influences, the economic climate in the surrounding area, the current and potential future market demand for the permitted uses, and given the location of the subject, the highest and best use of the site as vacant is to divide the property into the smallest lots allowed and sell them as single –unit building sites when there is sufficient demand for use.

## **DEFINITION AND DISCUSSION OF HIGHEST AND BEST USE (continued)**

### **AS IMPROVED**

#### **Highest and Best Use as Improved**

Next, the highest and best use of the improved site is considered.

The site appears to be physically capable of supporting the existing improvements and there does not appear to be any existing physical impediments that would hinder the support of a "normal" stabilized occupancy. The subject's use as a school building use is permitted in this zoning district. It is therefore a legal, conforming use under the current zoning ordinance. Although a residential condominium conversion is not within the zoning parameters, it is reasonable to assume that, if economically viable, approval could be obtained.

The next step involves ascertaining whether or not the existing use is a feasible use. The first step in this procedure is to analyze whether the existing improvements contribute any value to the site.

Based on the most recent sales involving land transactions where the sites in question were purchased for the intended use as a school building, in conjunction with the estimated value for the subject property, it is concluded that the improvements contribute significantly to the total property value per the value indication.

The existing improvements represent a substantial use of the site. Although it may not possibly be the most intensive or profitable use as based on the subject's physical characteristics, current and prospective occupancy and rental structures, an analysis utilizing demolition costs supplied to us by the client and MLS data for residential lot sales in the subject neighborhood indicates there is no alternative, legal use that could economically justify the removal of the improvements. Therefore, at this time, the use of the existing building for a neighborhood compatible purpose represents the highest and best use of the property.

## **COST APPROACH**

In the Cost Approach, typically, an estimate of the replacement cost new is made of the subject's improvements. Next, the cost of the site improvements are estimated and added to the replacement cost. The observed depreciation is then estimated and subtracted. Lastly, the estimated market value of the land is added in to arrive at an indication of the value by this approach. This approach is most important when the subject of the appraisal is a service property, such as an operating industrial plant (appraised for a continuation of its present use), or a public building, such as a school or if the improvements are new construction.

*REPLACEMENT COST: The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "replacement cost." (Chicago: Appraisal Institute, 2015), PDF e-book, page 197.*

As discussed previously, the Cost Approach has been considered, however, it is not being developed for the subject because existing school buildings are typically traded in the market based on comparison to similar properties and not the cost to build or replace them. Accordingly, this approach to value is not developed for the subject.

## SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of estimating market value by comparing sales of similar properties to the subject. Basic to this approach to value are the concepts and principles of anticipation, change, supply and demand, substitution, balance and external properties. These concepts are employed to the extent of the valuation problem consistent with local market conditions. Inherent with this approach to value is the principle of substitution.

The appraisal principle that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based. Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "substitution." (Chicago: Appraisal Institute, 2015), PDF e-book, page 225.

The systematic procedure followed to apply this approach is:

1. Research the market for sales and offerings of similar properties to determine the date of sale, size, location and zoning of each.
2. Verify the information as to the accuracy of the information and that the transactions are arm's length.
3. Select relevant units of comparison to analyze each sale.
4. Compare the sale properties to the subject property using the relevant units of comparison and adjust the sales prices of the comparables to reflect their differences with the subject.
5. Reconcile the various indications of value derived from the comparisons into a single indication of value or range of values.

A thorough search of the market has been conducted throughout northern lower and western Michigan utilizing multiple MLS systems (Water Wonderland, NMMLS, Clare/Gladwin, Paul Bunyan, CARWM, SWMRIC and NGLR MLS), this firm's appraisal and research files, and local assessing offices for sales of school building properties similar to the subject. Of the sales and offerings for sale found in this market, the comparable sales presented are most representative of the market for this property.

## **SALES COMPARISON APPROACH (continued)**

**Comparable Sale #201** is the sale of 2329 Center Street in Boyne Falls, Michigan. It is an old school building that was originally constructed in 1946 with additions in 1965 and 1989. It is 37,500 square feet. The site is 3.04 acres. A separate parcel containing the playground was not included in the sale. The building is block constructed on a concrete slab. The layout consists of 19 classrooms, 6 offices, 2 locker rooms, 10 bathrooms, a gymnasium, a kitchen, a cafeteria, 3 multi-purpose rooms, custodial closets and a boiler room. Heat is provided by two high-efficiency natural gas boilers that were installed in 2009. The property is served by the village municipal water system and an on-site septic tank farm. Windows were replaced in 2000.

This property was listed in the NMMLS (#456110) on July 24, 2018 for \$425,000. The property went under contract December 4, 2018 and sold August 27, 2019 for \$300,000 after 400 days on the market.





## **SALES COMPARISON APPROACH (continued)**

**Comparable Sale #202** is the sale of 239 First Street in Trufant, Michigan. It is an old school building that was originally constructed in 1960. It is 26,660 square feet. According to the listing agent, the site is 2.07 acres. It was split from two larger parcels. The building is block constructed on a concrete slab. According to the listing agent, the school district spent \$2,000,000 on the building in 2004 or 2005. The listing states that Lakeview schools invested over \$1,000,000 in improvements before closing the school. The listing agent said the school had been closed for about three years prior to the sale. He also said the school was in good condition. The boilers were good and that the kitchen was the best in the school district. The layout includes classrooms and a gymnasium. There is a private well and septic system. The buyer uses the building for receptions, flea market, Christian rock concerts and a Christian academy.

This property was listed in the MichRic MLS (#19016762) on April 26, 2019 for \$200,000. It sold July 25, 2019 for \$175,000 cash after 54 days on the market. According to the listing agent, this was an arms-length transaction.



## **SALES COMPARISON APPROACH (continued)**

**Comparable Sale #203** is the sale of 340 Cliff Street in Battle Creek, Michigan. It is an old school building that was originally constructed in 1935. It is a two-story building with a full walk-out basement. The first and second floors total 29,000 square feet. The basement is 12,836 square feet. Based on MLS pictures, the basement appears to be at least partially finished with classrooms. The site is 2.22 acres. The building is masonry constructed. The layout includes several classrooms, offices and a gymnasium. Heat is provided by natural gas boilers. The property is served by municipal water and sewer systems.

This property was listed in the MichRIC MLS (#18014612) on April 13, 2018 for \$300,000. The property went under contract June 15, 2018 and sold July 13, 2018 for \$300,000 after 63 days on the market.



## SALES COMPARISON APPROACH (continued)

**Comparable Sale #204** is the sale of 2740 Mannix Street, Niles, Michigan. It is an old school building that was originally constructed in 1950. It is 15,170 square feet. The site is 6.02 acres. The building is block constructed on a concrete slab. It has boiler heat. According to the listing agent, the building was in good condition as it was an operating school until just before the sale. The buyer converted the building into a residence. It has a private well and septic system.

This property was listed in the MichRic MLS (#17008536) on March 2, 2017 for \$115,000. It sold June 23, 2017 for the full asking price of \$115,000 after 112 days on the market. According to the listing agent, this was an arms-length transaction.



## SALES COMPARISON APPROACH (continued)

### SALES COMPARISON GRID

ITEM Address City	SUBJECT 504 E Foster St Ludington	Comparable #201 2329 Center St Boyne Falls	Comparable #202 239 First St Trufant	Comparable #203 340 Cliff St Battle Creek	Comparable #204 2740 Mannix St Niles
Sale Price:		\$300,000	\$175,000	\$300,000	\$115,000
Property Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Sale Price:		\$300,000	\$175,000	\$300,000	\$115,000
Financing:		Cash	Cash	Cash	Cash
Adjusted Sale Price:		\$300,000	\$175,000	\$300,000	\$115,000
Conditions of Sale:		Arm's Lgth	Arm's Lgth	Arm's Lgth	Arm's Lgth
Adjusted Sale Price:		\$300,000	\$175,000	\$300,000	\$115,000
Market Conditions:	Dec-19	Aug-19	Jul-19	Jul-18	Jun-17
Adjusted Sale Price:	0%	\$300,000	\$175,000	\$300,000	\$115,000
Size/Price/Sq.Ft:	45,000	37,500	26,660	29,000	15,170
Location:	Ludington	Similar	Similar	Superior	Similar
Economy of Scale:	45,000	Smaller -3% (\$0.24)	Smaller -5% (\$0.33)	Smaller -5% (\$0.52)	Smaller -10% (\$0.76)
Land Area in Acres:	2.66	3.04	2.07	2.22	6.00
Site Improvements:	Average	Similar	Similar	Similar	Similar
Effective Age:	23	20 1% (\$0.24)	20 1% (\$0.20)	20 1% (\$0.31)	20 1% (\$0.23)
Utilities:	All Urban	Inferior 1% \$0.08	Inferior 2% \$0.13	Similar	Inferior 2% \$0.15
Zoning:	Residential	Superior -15% (\$1.20)	Similar	Similar	Similar
Functional Utility:	Average	Superior -10% (\$0.80)	Superior -10% (\$0.66)	Similar	Superior -10% (\$0.76)
Quality/Appeal:	Average	Similar	Similar	Similar	Similar
Condition:	Average	Superior -10% (\$0.80)	Superior -10% (\$0.66)	Superior -7% (\$0.72)	Superior -7% (\$0.53)
Adjusted Price/Sq.Ft:		\$4.80	\$4.86	\$7.24	\$4.55
Adjusted Value:		\$216,000	\$218,586	\$325,862	\$204,680
Basement (Sq. Ft.):	0	0	0	12,836 \$7 (\$89,852)	None
Indicated Value Of The Subject:		\$216,000	\$218,586	\$236,010	\$204,680
Rounded To:		\$216,000	\$219,000	\$236,000	\$205,000

## **SALES COMPARISON APPROACH (continued)**

### **COMMENTS ON ADJUSTMENTS**

**Property Rights:** All of the comparable sales sold in fee simple estate. No adjustments are warranted.

**Financing:** All of the comparable sales were traded for cash (United States tender) or equivalents, thereof. No special financing was made by either the grantors or grantees in these transactions. No adjustments are necessary.

**Conditions of Sale:** All of the comparable sales are arm's-length negotiated sales. No adjustments are warranted.

**Market Conditions:** This adjustment considers trends of value over time in the market. There are a limited number of transactions involving school buildings that take place in this market in any one year. The properties are usually different enough that analysis is not possible in order to determine if there has been a change in market conditions. This is reflected in our research of the market for sales of school buildings throughout northern lower Michigan and west Michigan. Based on our research and market analysis, the comparables reflect current market conditions. No adjustments are required.

**Unit of Comparison:** Only two units of comparison can be used to compare the comparables to the subject, first, the price per square foot unit of measure and second, the total sale price. Active participants (buyers, sellers, tenants and landlords) in this market typically value school buildings by the per square foot unit of comparison. To accurately reflect the market, the per square foot unit of comparison is used to compare and adjust the comparable sales to the subject.

**Location:** Comparables #201, #202 and #204 feature rural locations sufficiently similar to the subject that adjustments are not warranted. Comparable #203 is located in Battle Creek, an urban area situated along Interstate 94 near other major state and interstate highways enhancing its access to the state's major metropolitan areas of Grand Rapids, Kalamazoo, Lansing and Detroit. Its location is superior to the subject's. A minus 15% adjustment is warranted for this factor.

## **SALES COMPARISON APPROACH**

### **COMMENTS ON ADJUSTMENTS (continued)**

**Economy of Scale:** This adjustment recognizes that there is a relationship between size and rate. Larger buildings typically cost less to build and sell for less per square foot than smaller buildings due to economies of scale. This adjustment is based on observed differences in area multipliers from the Marshall Valuation Service Cost Manual as well as in the market. All of the comparable sales are sufficiently smaller (superior) in size that market participants would likely place an economy of scale difference in sale price between them and the subject. A minus adjustment to each of the comparables is warranted.

**Land Size in Acres:** The subject and comparables #201, #202 and #203 are similar in site size. No adjustments are necessary. Comparable #204 features a site that is notably larger than the subject. As such, it offers superior utility compared to the subject for this factor. A minus 12% adjustment is warranted. This adjustment is based on a review of recent vacant acreage sales in Niles.

**Site Improvements:** The subject and each of the comparables have site improvements that are typical of this property type. No adjustments are necessary.

**Effective Age:** This is a percentage adjustment based on the differences in the estimated effective ages between the comparables and the subject. The comparables are adjusted by 1% of their sale price per square foot, per year of difference from the subject. The rate is derived from the depreciation tables contained in the Marshall Valuation Service Cost Manual.

**Utilities:** The subject is serviced by city sewer and water. Similar to the subject, comparable #203 is serviced by city water and sewer. No adjustment is necessary. Comparable #201 has municipal water and a private septic system. Comparables #202 and #204 do not have access to municipal water and sewer systems. Both have private wells and septic systems. Comparables #201, #202 and #204 have utilities typical of their respective markets. Their sale prices were not adversely affected by lack of either city water or sewer. For this reason, only a small plus adjustment is warranted to each of these comparables to acknowledge the subject's superior access to city water and sewer.

**Zoning:** Comparables #202, #203 and #204 are sufficiently similar to the subject with regard to zoning that no adjustments are necessary. Comparable #201 is located within the Village of Boyne Falls village limits, which is not zoned. There are fewer restrictions with regard to use making it superior to the subject. A minus 15% adjustment is warranted for this factor.

## **SALES COMPARISON APPROACH**

### **COMMENTS ON ADJUSTMENTS (continued)**

**Functional Utility:** The subject is a two-story building with its building area spread over two floors. Stairways are necessary to access the second story. Comparables #201, #202 and #204 are single-story buildings with building areas entirely at grade level making them superior to the subject for this factor. A minus 10% adjustment is given to each.

**Quality & Appeal:** The subject displays average quality and appeal. All of the comparables are considered similar to the subject for this factor. No adjustments are necessary.

**Condition:** Based on conversations with the listing agents and MLS pictures, comparables #203 and #204 are superior to the subject in condition. Minus 7% adjustments are made. Comparable #201 had windows replaced in 2000, two new high efficiency boilers installed in 2009 and new lighting in the gymnasium prior to selling. According to the listing agent for comparable #202, the school district had recently spent a significant amount of money on this school and that it had the nicest kitchen in the school district. Minus 10% adjustments are warranted to comparables #201 and #202 to account for this factor.

**Basement:** The subject does not have a basement. Similar to the subject, comparables #201, #202 and #204 do not have basements. No adjustments are required. Comparable #203 has a full basement that appears to be partially finished with classrooms based on MLS pictures. To account for this comparable's basement area, an adjustment based on depreciated cost data extracted from Marshall Valuation Service Cost Manual.



**SALES COMPARISON APPROACH (continued)**  
**CONCLUSION**

Comparable Sales	Adjusted Sale Price	Indicated Value
Comparable #201	\$300,000	\$216,000
Comparable #202	\$175,000	\$219,000
Comparable #203	\$300,000	\$236,000
Comparable #204	\$115,000	\$205,000
<b>Average</b>		<b>\$219,000</b>

The comparables create a moderately wide range of indicated values. Primary consideration is given to comparable #202 because it required the least amount of net and gross adjustment. Secondary consideration is given to comparable #201 because it is most similar to the subject in size. As such, a value near the indication of value created by comparable #202 that is within the range of indications of value created by the comparable sales is selected for the subject.

**INDICATED VALUE BY THE SALES COMPARISON APPROACH:**

**\$220,000**

## **INCOME APPROACH**

In the Income Approach, the rent is estimated by comparison to like rental properties in the market by the same process used in the Sales Comparison Approach. Expenses are then calculated and deducted from the rent to arrive at the Net Operating Income. The Net Operating Income is then processed into indications of value based on different methods.

The method most often used is by an Overall Capitalization Rate. The rate is developed from the market by finding similar rental properties that have sold recently and dividing their Net Operating Income by their cash equivalent sale price to arrive at a Capitalization Rate. The subject's Net Operating Income is then divided by the rate developed in market.

Other methods used include testing for value by using an Internal Rate of Return calculation to a required yield, and the calculation of the present value of the income stream, and the reversion of the property at the end of a projected holding period also to a required yield.

The Income Approach is most applicable to investment properties. This is generally any property held as an investment, such as offices, apartments, and stores. Operating school buildings like the subject are rarely held for investment purposes. Typically, they are entirely occupied by their owners, usually a school district. When sold, these properties are usually vacant due to closure of the school or construction of a new building. As a result, there is no market rental or capitalization rate data making the Income Approach not applicable to the appraisal problem. For these reasons, the Income Approach is not developed.

## FINAL RECONCILIATION

**Cost Approach:** Not Applicable

**Sales Comparison Approach:** \$220,000

**Income Approach:** Not Applicable

The Cost Approach has been considered, but it has not been developed because market participants would not employ this approach to value in making purchase price decisions for this type of property.

The Sales Comparison Approach indicates a value of \$220,000. This is the most applicable approach to value the subject property because this property type is most often purchased and occupied by owner users in the current market. This opinion of value is considered to be well supported by the market data available.

The Income Approach is most applicable to investment properties. Operating school buildings like the subject are rarely held for investment purposes. As a result, there is no market rental or capitalization rate data making the Income Approach not applicable to the appraisal problem. For these reasons, the Income Approach is not developed for the subject property.

In our opinion, subject to the Limiting Conditions and Assumptions contained herein, the estimated market value of the fee simple estate of the property as of the 23<sup>rd</sup> day of December, 2019 was **Two Hundred Twenty Thousand Dollars, (\$220,000)**.

Respectfully submitted,



Edmond A. Langhorst  
I have inspected the subject property.



Mark J. Faucher, MAI  
I have not inspected the subject property.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. The owner of the fee simple estate is assumed to have a free and clear interest with no encumbrances that cannot be cleared through normal channels.
2. The information on which this appraisal is based has been obtained from sources normally used by Northern Michigan Real Estate Consultants and is considered to be reliable, but is not guaranteed.
3. Northern Michigan Real Estate Consultants reserves the right to alter the opinion of value on the basis of information withheld or not discovered in the normal course of its investigation.
4. We assume no responsibility for matters of a legal nature affecting the property or the title thereto. We do not render any opinion as to title, which is assumed to be good and marketable.
5. The property is appraised as though under responsible ownership and that competent and aggressive management is utilized.
6. It is assumed that there is full compliance by the property and owner with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
7. It is assumed that all applicable zoning and use regulations have been, or are being, complied with.
8. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. We are not required to give testimony or appear in court because of having made this appraisal with reference to the property in question, unless arrangements have been previously made therefore. The fee charged for this appraisal does not include payment for court testimony or for further consultation.
10. No opinion of an engineering nature is intentionally expressed or implied and no responsibility is assumed for matters concerning engineering of the property in its entirety.
11. No survey has been made especially for this appraisal. Property lines, area size, survey and other documents either of record or otherwise provided, are assumed to be correct.
12. No engineering survey has been made by us. Except as specifically stated, data relative to size and area were taken from sources considered reliable and no encroachment of real property improvements is assumed to exist.
13. Maps, plats and exhibits are for illustration only, as an aid in visualizing matters discussed within the report. They should not be relied upon for any other purpose.

## **ASSUMPTIONS AND LIMITING CONDITIONS (continued)**

14. No opinion is expressed as to the value of subsurface oil, gas or mineral rights and that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.
15. Unless otherwise stated, no consideration in the valuation process has been given to mineral deposits (oil, gas, coal, gravel, etc.) or timber, if any, that may be found on the subject.
16. Unless otherwise stated, the existence of potentially hazardous material, which may or may not be present on the property, was not observed by us. We have no knowledge of the existence of such materials on or in the property. We are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation and/or existence of toxic waste, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
17. We were not provided with an environmental screening, environmental Phase I report, and/or a soils boring report. If environmental issues or soils, including hazardous waste, are revealed which may adversely impact the subject property, We reserve the right to alter the value conclusions contained herein.
18. Load-bearing capacity of subsoil is assumed to be adequate for the present utilization, but no borings or engineering studies have been made especially for this appraisal and the value conclusion could be affected by such information.
19. We have not been supplied with building plans and specifications, site plans, and surveys. No occupancy permits have been supplied. No responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained.
20. No termite inspection report was provided. We are not qualified in the arts and sciences of termite inspection. No responsibility is assumed for any damage caused by termites.
21. Unless otherwise stated, we make no representation or warranties as to the adequacy or condition of appliances, electrical systems, plumbing and heating, air conditioning, the presence of insulation, adequacy or condition of structural systems or any other subsystem within the property. We assume no responsibility for any costs incurred to discover or correct any deficiencies present in the property.

## **ASSUMPTIONS AND LIMITING CONDITIONS (continued)**

22. The financial and operating projections in this report are in no way warranted or guaranteed by us or Northern Michigan Real Estate Consultants.
23. The forecasts, projections or operating estimates are based upon current market conditions, anticipated short term supply and demand factors and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions. We cannot be held responsible for unforeseeable events that alter market conditions after the effective date of the appraisal.
24. It is assumed that the income, expense and other financial data supplied by the client is accurate. We assume no responsibility for independently verifying this information. If the client has any question regarding this information, it is the client's responsibility to seek whatever independent verification is deemed necessary.
25. The overall condition of the improvements was based upon our visual inspection. Should a qualified structural engineer make a determination on the improvements than what is contained within the report, we reserve the right to alter the value conclusions contained herein.
26. The Market Value is based upon current and expected market conditions as of the date specified. Therefore, based upon this assumption, we cannot be held reliable for unforeseeable events that may alter market conditions subsequent to the effective date of the appraisal.
27. Our conclusion(s) of value is based upon the assumption that there are no hidden or unapparent conditions of the property that might impact upon buildability. We recommend due diligence be conducted through the local building department or municipality to investigate buildability and whether the property is suitable for its intended use(s). We make no representations, guarantees, or warranties.
28. On January 26, 1992, the Americans with Disabilities Act (ADA) took effect. This report has not considered this act and the impact it may have on the subject with respect to renovation cost and general compliance. Should a report be provided which indicates a possible renovation, we reserve the right to amend this report.
29. Possession of this report, or a copy, does not carry with it the right of publication. None of this report shall be conveyed to any person or entity other than the client, through advertising, solicitation materials, public relations, news, sales, or other media without the previous written consent and approval of the authors or firm with which we are connected, or any reference to the Appraisal Institute or designation. Further, we assume no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment.
30. This appraisal is to be used in whole, not in part. The contents and any reference to the Appraisal Institute, or any designation, shall not be used in connection with any other appraisal or disseminated to the public through advertising, public relations, news, sales or other media without the prior written permission of Northern Michigan Real Estate Consultants.

## **ASSUMPTIONS AND LIMITING CONDITIONS (continued)**

31. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
32. Disclosure of the contents of the appraisal is governed by the Bylaws and Regulations of the professional organizations with which we and/or Northern Michigan Real Estate Consultants are affiliated.
33. Acceptance of and/or use of this report constitutes acceptance of these conditions.
34. On all appraisals, subject to satisfactory completion, repairs or alternation, the appraisal report and value conclusion are contingent upon completion of the improvements in a timely and workmanlike manner.
35. This report is intended to comply with the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. It is further intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) and the guidelines set forth by the Financial Institution's Reform, Recovery and Enforcement Act of 1989 (FIRREA).
36. The information and opinions contained in this appraisal are set forth in our best judgment in light of the information available at the time of the preparation of this report. Any use of this report by any other person or entity, or any reliance or decisions based on this appraisal are the sole responsibility and at the sole risk of the third party. We accept no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this report. Furthermore, we reserve the right to alter our opinion of value on the basis of information withheld or not discovered in the course of our investigation. Acceptance of and/or use of this report constitutes agreement with these terms and conditions.
37. The client hereby guarantees to NMREC and us that if this appraisal is given in whole or in part to any third party that the client cited herein will, in writing, declare to said third party to not to place any reliance on anything contained in said appraisal or parts thereof and that NMREC and we have duty to the client cited herein only and not to any third party.



## CERTIFICATION

### **We certify that, to the best of our knowledge and belief:**

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.

We have performed no services, as appraisers, regarding the property that is the subject of this report within the five-year period immediately preceding the acceptance of this assignment.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

I, Edmond Langhorst, have made a personal inspection of the property that is the subject of this report.

I, Mark Faucher, have not made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the persons signing this certification.

The appraisers' analysis, opinions, and conclusions were developed, and the report has been prepared in conformity with the code of Professional Ethics and *Standards of Professional Appraisal Practice* of the Appraisal Foundation and the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

## **CERTIFICATION (continued)**

As of the date of this report, I, Mark Faucher, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.

As of the date of this report, I, Edmond Langhorst, have completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.

In Michigan, appraisers are required to licensed/certified and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, MI 48909.

The appraisers' qualification sheets are contained in the Addenda of this report.



Edmond A. Langhorst  
Certified General Appraiser #1201074750  
I have inspected the subject property.



Mark J. Faucher, MAI  
I have not inspected the subject property.

Date: May 4, 2020

# **ADDENDA**

## REGIONAL DATA

Mason County is located in the northwestern portion of the Lower Peninsula of Michigan, bordered on the western edge by Lake Michigan. Ludington is located on the west side of Mason County on the east shore of Lake Michigan. The City of Ludington is the county seat. The county has a permanent year-round population of 25,537 people, which swells significantly during the summer months. The Pere Marquette River passes through the City of Ludington. The Pere Marquette River is considered to be one of the finest trout fishing rivers in the Great Lakes area, and provides sheltered anchorage for boats of all sizes. Numerous marinas are scattered along the shore of the river. The "Badger", car ferry service from Michigan to Wisconsin is based in Ludington. The ferry still offers year-round runs to Wisconsin as a car/passenger service.



The county has 495 square miles and is the tenth smallest in the state. The Manistee National Forest and Ludington State Park cover most of the land and offer an abundance of outdoor recreation activities.

The City of Ludington not only offers the car ferry service but also the Big Sable Point State Park, which is the furthest stretch of land westward into Lake Michigan. There are also many recreational activities offered throughout all four seasons. There are many festivals throughout the year, including the Harbor Festival in June; Freedom Festival in July; Gold Coast Festival in August; Autumn Days and Oktoberfest in Downtown Ludington in October; Lakeshore Ice Festival in January; Winter Fun Fest in February and the Car Ferry Festival in May.





Ludington offers visitors a wide variety of recreational and festive activities. There is a city beach, area golf courses, boat launches, docking facilities and marinas, boat cruises, historical sites, fishing, skiing and snowmobiling. The downtown area consists primarily of businesses that serve the local community. There are an increasing number of specialty shops for tourists.

## REGIONAL DATA (continued)

Ludington is about 50 miles north of Muskegon and about 20 miles south of Manistee. It is the location of most local shopping, employment and medical services. Regional shopping and medical services are in Grand Rapids about 100 miles southeast.

All of these cities are easily accessible north, south or east of Ludington via US-31. The major roads in the area are US-31, the major north/south road along the westerly side of the state; M-116, a scenic road in the Ludington area running along the Lake Michigan shoreline; US-10, the major east/west road running from the west side of the county to Bay City and I-75 toward the middle of the state and on to the east.

### Highways

-  US 10
-  US 31
-  BUS US 31 - Spur Route Running Along  
Pere Marquette Highway East of Ludington
-  M-116 - Serves as Access to Ludington State Park

Mason County		
DISTANCES	MILES	KM
Chicago	240	386
Cleveland	400	643
Detroit	230	370
Indianapolis	350	563
Lansing	160	257
<a href="http://ref.michigan.org/medc/miinfo/places">ref.michigan.org/medc/miinfo/places</a>		

The major airport is located in Grand Rapids approximately 100 miles southeast of Ludington, although smaller flights can be connected at the Manistee Blacker Airport. It is serviced by a number of feeder airlines which are affiliated with major airlines. They generally will coordinate their schedules so the passenger can continue to their destination after a stop at a hub airport. Nonstop flights are available to Grand Rapids, Lansing, Saginaw, Detroit, Chicago and Milwaukee.

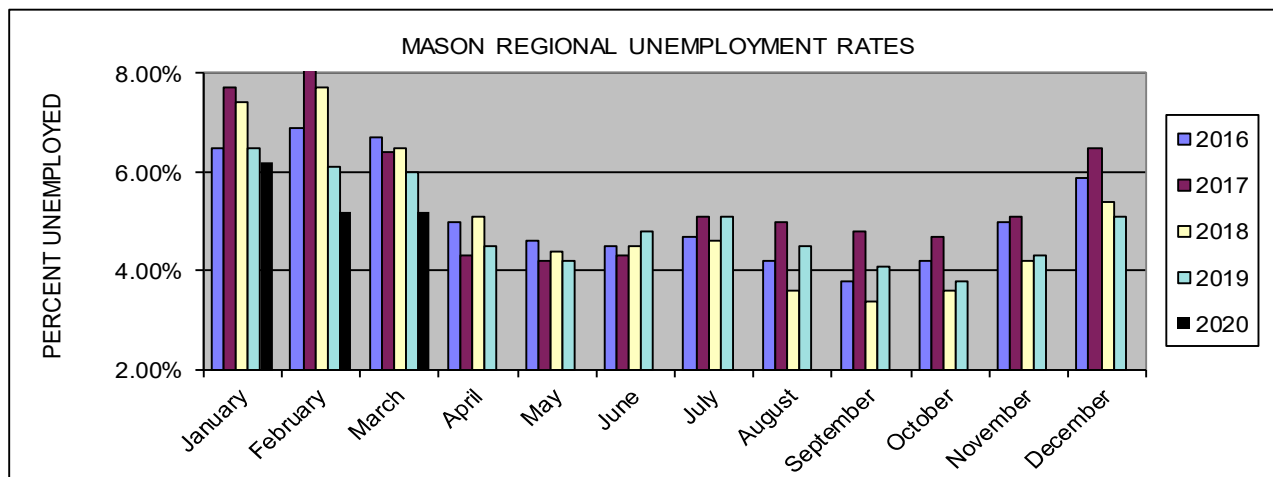
Lake Michigan provides clear, clean water for recreation and consumption. The proximity of this much water helps to moderate temperatures in the area. According to the Ludington weather station, the average temperature is a minimum of 16°F and a maximum of 29°F in January, and a minimum of 58°F and a maximum of 80°F in July. The growing season is approximately 139 days. Mason County has an average summer precipitation of 32 inches with winter snowfall averaging 83 inches.

Mason County			
	%	SQ. MILES	KM
Total Area	100.00%	1241.86	3,216.40
Land	39.87%	495.17	1,282.50
Water	60.13%	746.70	1,933.90
Michigan		58,110 SQ. MILES	
United States		3,531,905 SQ. MILES	

[en.wikipedia.org/wiki/ 01-2013](http://en.wikipedia.org/wiki/01-2013)

## REGIONAL DATA (continued)

As of March 2020, the labor force was 12,946 people of which 12,267 were employed; this left 679 idled and created Mason County's average unemployment rate of 5.20%. This average jobless rate was lower than the rate for the years 2016-2019, for the same time period. *(These rates are Not Seasonally Adjusted.)* Source: [milmi.org](http://milmi.org)



The following chart contains the annual unemployment statistics for the county.

YEAR	2016	2017	2018	2019	2020
<b>Mason County</b>					<b>March</b>
Total Labor Force:	14,389	13,800	13,655	13,207	12,946
Employed:	13,537	12,909	12,922	12,532	12,267
Unemployed:	852	891	733	675	679
Unemployment Rate:	5.90%	6.50%	5.40%	5.10%	5.20%

[milmi.org](http://milmi.org) Not Seasonally Adjusted

The next chart shows how Michigan's jobless rate compares with the National unemployment rate.

UNEMPLOYMENT RATE														
	Annual 2018	Annual 2019	Jan	Feb	Mar-20	Apr-19	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>MI</b>	4.7%	3.9%	3.8%	3.6%	4.1%	4.1%	4.20%	4.2%	4.3%	4.2%	4.2%	4.1%	4.0%	3.9%
<b>US</b>	4.1%	3.5%	3.6%	3.5%	4.4%	3.6%	3.60%	3.70%	3.70%	3.70%	3.50%	3.60%	3.50%	3.50%

[milmi.org](http://milmi.org) Seasonally Adjusted

## REGIONAL DATA (continued)

There are many part time hobby farm parcels in this agriculturally active area. Full time farms are dispersed in the area with many part time farms leasing their tillable lands to the full time farmers. According to the Michigan Department of Agriculture, Mason County's total land area of 316,467 acres had the following uses; forest 46.8%, other lands 29.3%, cropland 18.4%, pasture 2.2% and water 3.3%.

In 1982, there were 492 farms in the county using a total of 85,809 acres of which 62,683 acres were used as cropland. Most county roads are gravel or asphalt paved. Frequently, these small roads are seasonal and not serviced by electrical service.

Below is a chart that has the major types of businesses broke down with the estimated percentage of civilian employees aged 16 and over for each category.

<b>Mason County</b> <b>2019 Estimated Employed Civilians Aged 16+</b>	<b>% of Employees Per Industry</b>
Agriculture; Forestry; Fishing; Hunting	0.5%
Mining	0.1%
Utilities	0.4%
Construction	3.9%
Manufacturing	19.2%
Wholesale Trade	6.7%
Retail Trade	14.1%
Transportation; Warehousing	3.0%
Information	1.2%
Finance; Insurance	1.7%
Real Estate; Rental; Leasing	4.0%
Professional, Scientific; Technical Services	2.9%
Management of Companies; Enterprises	0.3%
Administration; Support; Waste Management Services	1.7%
Educational Services	9.7%
Health Care; Social Assistance	10.1%
Arts; Entertainment; Recreation	1.8%
Accommodation; Food Services	10.1%
Other Services	4.3%
Public Administration	4.2%
Unclassified Establishments	0.0%
<b>TOTAL EMPLOYEES AGED 16+</b>	<b>13,899</b>

[stdbonline.esri.com](http://stdbonline.esri.com) 7/2019

## REGIONAL DATA (continued)

The major employers are listed below.

### Major Employers in Mason County, 2012

TOP EMPLOYERS IN MASON COUNTY		
50-99 Employees	100-249 Employees	250-499 Employees
Hardman Construction, Ludington	Floracraft Corp, Ludington	Dow Chemical Co., Ludington
Kaines West Michigan, Ludington	Great Lakes Casting Co., Ludington	Metalworks Inc., Ludington
Brill Manufacturing Co., Ludington	Indian Summer Co-Op, Ludington	Harsco Rail, Ludington
Shop N' Save, Ludington	Home Depot, Ludington	Meijer, Ludington
Manistee National Golf and Resort, Manistee	Lowe's Home Improvement, Ludington	Ludington Area School District, Ludington
S.S. Badger, Lake Michigan Car Ferry, Ludington	Walmart, Ludington	500-999 Employees
Applebee's Neighborhood Grill, Ludington	Needlefast Evergreens, Ludington	Spectrum Health Ludington Hospital
Big Boy, Ludington	Mason/ Lake Intermediate School District, Ludington	
P M Steamers Restaurant, Ludington	West Shore Community College, Scottville	
Scotty's Restaurant, Ludington	West Michigan Community Mental Health, Ludington	
McDonald's, Ludington	Oakview Medical Care Facility, Ludington,	
Ludington City Hall, Ludington	Tendercare, Ludington	
Mason County Jail/Sheriff, Ludington		
Mason County, Ludington		

Source Websites: [www.masoncounty.net/userfiles](http://www.masoncounty.net/userfiles); Michigan Department of Management, Technology, and Budget <http://milmi.org/aspdotnet/databrowsing>



## REGIONAL DATA (continued)

The following charts and graphs show the household income and population trends for Mason County.

HOUSEHOLD INCOME TRENDS				
Mason County	1990 CENSUS	2000 CENSUS	2019 ESTIMATE	2024 ESTIMATE
Median HH Income	\$21,701	\$34,710	\$50,093	\$55,138
Average HH Income	\$27,481	\$43,319	\$65,432	\$74,220
Per Capita Income	\$10,848	\$17,713	\$27,394	\$31,128
Median Home Value	\$43,335	\$83,321	\$153,455	\$175,159
Average Home Value	\$51,088	\$107,342	\$194,416	\$221,851

[stdbonline.esri.com](http://stdbonline.esri.com) 7/2019

POPULATION STATISTICS				
Mason County	1990 CENSUS	2010 CENSUS	2019 ESTIMATE	2024 ESTIMATE
<b>Total</b> Population	25,537	28,705	29,682	30,139
Median Age	36.2	45.1	47.0	47.8
Total Households	9,984	11,940	12,413	12,628
<b>Male</b> Population	12,436	14,168	14,675	14,927
Median Age	U/A	43.8	45.9	46.5
<b>Female</b> Population	13,101	14,537	15,007	15,212
Median Age	U/A	46.2	48.2	49.2

Source: CCIM stdbonline 7/2019

	1990	2000	2010	2019 ESTIMATE	2024 ESTIMATE
<b>POPULATION</b>					
<b>MICHIGAN</b>	9,295,304	9,938,444	9,883,640	1,097,897	10,233,588
<b>UNITED STATES</b>	248,710,012	281,421,906	308,745,538	332,417,793	345,487,602

7/2019 <http://quickfacts.census.gov/qfd/states/26000.html>

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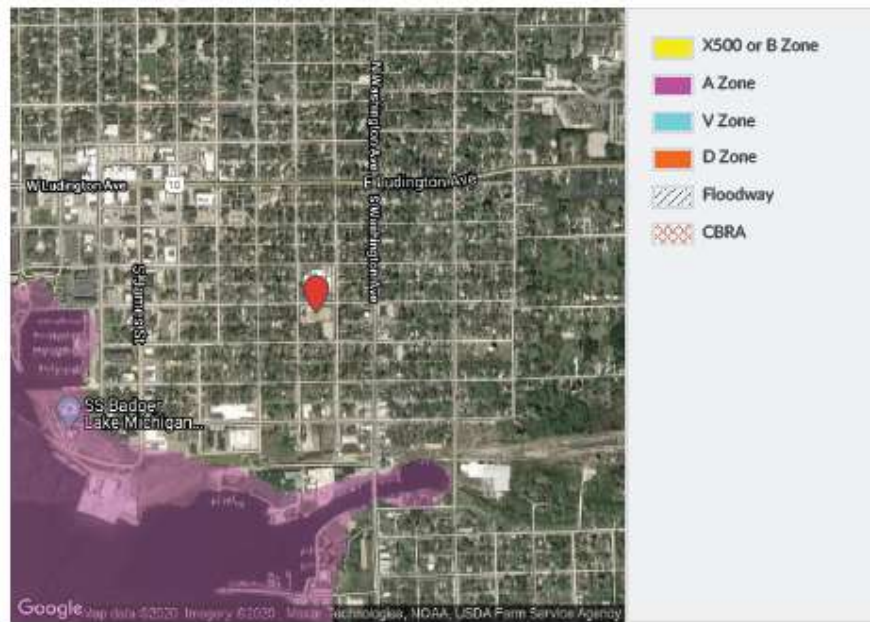
504 E FOSTER ST LUDINGTON, MI 49431-22ND

LOCATION ACCURACY: 📍 Excellent LATITUDE: 43.952231 LONGITUDE: -86.441447 MATCH CODE: A0000 SOURCE: PxPoint CENSUS BLOCK ID: 261059505002013

### Flood Zone Determination Report

Flood Zone Determination: **OUT**

SFHA (FLOOD ZONE)	OUT	WITHIN 250 FEET OF FLOOD ZONE	NO
FLOOD ZONE	X	COMMUNITY	260581
COMMUNITY NAME	LUDINGTON, CITY OF	PANEL	0230C
PANEL DATE	July 16, 2014	COBRA	OUT
MAP NUMBER	261050230C	FIPS CODE	26105





## COMPARABLE SALE #201



### **Property Identification**

#### **Property Type**

#### **Address**

#### **Legal Description**

#### **Tax ID**

#### **Township**

School

2329 Center Street, Boyne Falls, Charlevoix County, Michigan  
Lots 1-2-3-4-5-6 BLK 4 Gagers Add Vill of Boyne Falls; Section  
15, T32N R5W

041-604-001-00 & 041-603-004-00

Boyne Valley Township

### **Sale Data**

#### **Grantor**

#### **Grantee**

#### **Sale Date**

#### **Liber/Page**

#### **Property Rights**

#### **Conditions of Sale**

#### **Financing**

#### **Marketing Time**

#### **Verification**

Boyne Valley Education Ct

Walloon Lake Recovery Lodge LLC

August 27, 2019

1231/661

Fee Simple

Arm's Length

Cash

400 DOM

NMMLS # 456110 & Charlevoix County Online Records

#### **Sale Price**

#### **Cash Equivalent**

\$300,000

\$300,000

### **Land Data**

#### **Size**

#### **Zoning**

#### **Topography**

#### **Utilities**

#### **Shape**

#### **Corner Location**

#### **Type of Road**

#### **Environmental**

#### **Contamination**

3.04 Acres

Not Zoned

Level

All Urban except Septic

Square

Yes

Paved

Unknown

## COMPARABLE SALE #201 (continued)

### General Physical Data

<b>Gross SF</b>	37,500
<b>Construction</b>	Block & Steel
<b>Basement</b>	Slab
<b>Year Built</b>	1946, additions 1965 & 1989
<b>Number of Floors</b>	1

### Remarks

A separate parcel containing the playground was not included in the sale. The building is block constructed on a concrete slab. The layout consists of 19 classrooms, 6 offices, 2 locker rooms, 10 bathrooms, a gymnasium, a kitchen, a cafeteria, 3 multi-purpose rooms, custodial closets and a boiler room. Heat is provided by two high-efficiency natural gas boilers that were installed in 2009. Windows were replaced in 2000.



Charlevoix County GIS Map



## COMPARABLE SALE #202



### **Property Identification**

<b>Property Type</b>	Trufant School
<b>Address</b>	239 First Street, Trufant, Montcalm County, Michigan
<b>Tax ID</b>	Spilt from two larger parcels
<b>Township</b>	Maple Valley Township

### **Sale Data**

<b>Grantor</b>	Maple Valley Township
<b>Grantee</b>	U/A
<b>Sale Date</b>	July 25, 2019
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Cash
<b>Marketing Time</b>	54 DOM
<b>Verification</b>	MichRIC #19016762 & Listing Agent

<b>Sale Price</b>	\$175,000
<b>Cash Equivalent</b>	\$175,000

### **Land Data**

<b>Size</b>	2.07 Acres; 90,000 Square Feet
<b>Zoning</b>	
<b>Topography</b>	Level
<b>Utilities</b>	All Rural
<b>Shape</b>	Irregular
<b>Corner Location</b>	Yes
<b>Type of Road</b>	Paved
<b>Environmental Contamination</b>	Unknown

## COMPARABLE SALE #202 (continued)

### General Physical Data

<b>Gross SF</b>	26,660
<b>Construction</b>	Block & Steel
<b>Basement</b>	Slab
<b>Year Built</b>	1960
<b>Number of Floors</b>	1

### Remarks

This parcel was split from two larger parcels. Per the listing agent, the school district spent \$2,000,000 on the building in 2004 or 2005. The listing states that Lakeview schools invested over \$1,000,000 in improvements before closing the school. The listing agent said the school had been closed for about three years prior to the sale. He also said the school was in good condition. The boilers were good and that the kitchen was the best in the school district. The layout includes classrooms and a gymnasium. There is a private well and septic system. The buyer uses the building for receptions, flea market, Christian rock concerts and a Christian academy.



Google Maps 4/29/20

## COMPARABLE SALE #203



### **Property Identification**

<b>Property Type</b>	School
<b>Address</b>	340 Cliff Street, Battle Creek, Calhoun County, Michigan
<b>Legal Description</b>	Lots 14-15-38-39 Caines Add
<b>Tax ID</b>	52-1490-00-014-0
<b>Township</b>	City of Battle Creek

### **Sale Data**

<b>Grantor</b>	Pathways House of Prayer
<b>Grantee</b>	Foundation for Behavioral Resources
<b>Sale Date</b>	July 13, 2018
<b>Liber/Page</b>	4247/0846
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Cash
<b>Marketing Time</b>	63 DOM
<b>Verification</b>	MichRIC #18014612; Calhoun County GIS Online Records & Listing Agent

<b>Sale Price</b>	\$300,000
<b>Cash Equivalent</b>	\$300,000

### **Land Data**

<b>Size</b>	2.22 Acres
<b>Zoning</b>	
<b>Topography</b>	Level
<b>Utilities</b>	All Urban
<b>Shape</b>	Rectangular
<b>Corner Location</b>	Yes
<b>Type of Road</b>	Paved
<b>Environmental Contamination</b>	Unknown



## COMPARABLE SALE #203 (continued)

### General Physical Data

**Gross SF** 29,000  
12,836 Square Feet (basement)

**Construction** Masonry  
**Basement** Walk-Out  
**Year Built** 1935  
**Number of Floors** 2

### Remarks

Based on MLS pictures, the basement appears to be at least partially finished with classrooms. The layout includes several classrooms, offices and a gymnasium. Heat is provided by natural gas boilers.



Fetch GIS Map – Calhoun County 4/29/20

## COMPARABLE SALE #204



### **Property Identification**

#### **Property Type**

Formerly James Ellis Elementary School

#### **Address**

2740 Mannix Street, Niles, Cass County, Michigan

#### **Location**

Section 21, T7S R16W

#### **Tax ID**

14-020-021-058-00

#### **Township**

Howard Township

### **Sale Data**

#### **Grantor**

Niles Public School (School District No 33)

#### **Grantee**

Craig Walker

#### **Sale Date**

June 23, 2017

#### **Liber/Page**

1125/142

#### **Property Rights**

Fee Simple

#### **Conditions of Sale**

Arm's Length

#### **Financing**

Cash

#### **Marketing Time**

112 DOM

#### **Verification**

MichRIC MLS#17008536; Cass County BS&A Online Records & Buyer's Agent

#### **Sale Price**

\$115,000

#### **Cash Equivalent**

\$115,000

### **Land Data**

#### **Size**

6.6 Acres

#### **Zoning**

AR- Agricultural Residential District

#### **Topography**

Level

#### **Utilities**

All Urban

#### **Shape**

Irregular

#### **Corner Location**

No

#### **Type of Road**

Paved

#### **Environmental**

Unknown

#### **Contamination**

## COMPARABLE SALE #204 (continued)

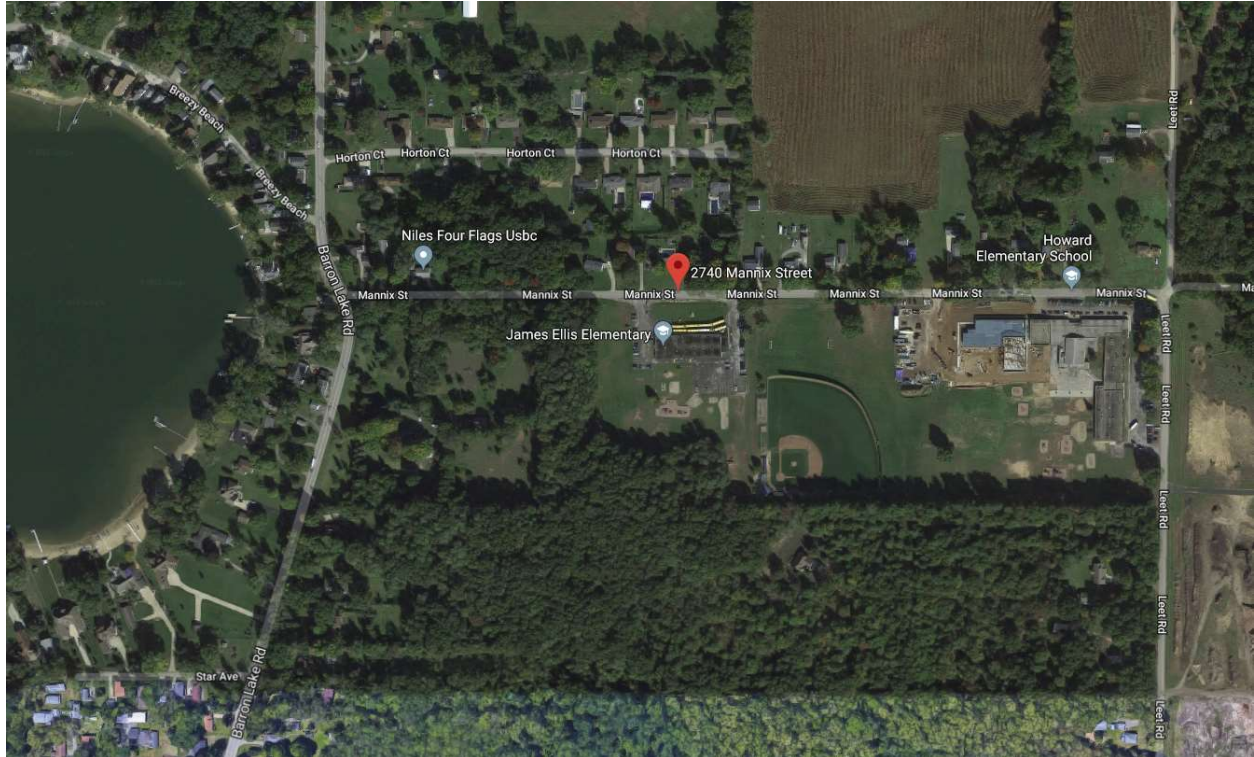
### General Physical Data

**Gross SF** 15,170

**Year Built** 1950

### Remarks

The purchaser, an individual, intends to convert the property into a large residence and confirmed to the appraiser by the buyer's agent.





# COMPARABLE SALES



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# **Qualifications of the Appraiser**

## **Edmond A. Langhorst**

Northern Michigan Real Estate Consultants, Inc.

State Certified General Appraiser (State of Michigan) #1201074750

### **Educational Background**

2013 – Present Appraisal Institute, Chicago Illinois

2001 Michigan State University Bachelor of Arts – Finance

### **Appraisal Institute Courses**

- 1) Real Estate Finance Statistics and Valuation Modeling (Online)
- 2) General Appraiser Sales Comparison Approach (Online)
- 3) General Appraiser Income Approach Part I (Online)
- 4) General Appraiser Income Approach Part II (Online)
- 5) General Appraiser Site Valuation and Cost Approach (Online)
- 6) General Appraiser Market Analysis and Highest & Best Use (Online)
- 7) General Appraiser Report Writing and Case Studies (Online)
- 8) Business Practices and Ethics (Online)
- 9) Quantitative Analysis (Online)

### **McKissock Courses**

- 1) Basic Appraisal Principles
- 2) Basic Appraisal Procedures
- 3) 15-Hour National USPAP

### **Continuing Education**

- 1) 7-Hour National USPAP (completed 2019)
- 2) Michigan Appraisal Law

### **Professional Affiliations**

Certified General Real Estate Appraiser – State of Michigan #1201074750

### **Professional Experience**

7/17 to Present Northern Michigan Real Estate Consultants

4/13 to 7/17 Professional Valuation Services, LLC



### **Scope of Work**

Office Buildings and Numerous Lease-by-Lease Analyses  
Mixed-Use and Residential Subdivision Developments  
Vacant Land Appraisals  
Light Industrial / Heavy Industrial  
Shopping Centers  
Gas Station / Convenience Stores  
Motel  
Assisted Living Facility  
Restaurants – Traditional and Fast Food  
Used Automobile Dealership  
Funeral Homes  
Indoor Recreational Facilities / Fitness Center  
Religious Buildings  
Grocery Store  
Automobile Service Facilities  
Banquet Hall  
Marinas

### **Partial List of Clients**

#### **Mortgage Banker & Broker**

Bank of America  
Chemical Bank  
Comerica Bank  
Huntington Bank  
JPMorgan Chase Bank  
Macatawa Bank  
Hantz Bank  
The State Bank  
Associated Bank  
Branch Banking & Trust

GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
BUREAU OF PROFESSIONAL LICENSING

P024244

CERTIFIED GENERAL APPRAISER  
LICENSE

EDMOND AUGUST LANGHORST

LICENSE NO.  
1201074750

EXPIRATION DATE  
07/31/2021

RUSTIT NO  
3429696

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OF MICHIGAN

## **QUALIFICATIONS OF THE APPRAISER**

### **MARK J. FAUCHER, MAI**

**Co-Owner Northern Michigan Real Estate Consultants, Inc.  
State Certified Real Estate Appraiser (State of Michigan) #1201001061**

#### **EDUCATION**

##### **FORMAL**

- Delta Community College, Bay City, Michigan
  - Associates Degree in Liberal Arts 1972
- Central Michigan University, Mt. Pleasant, Michigan
  - Bachelor of Science Degree 1975

#### **APPRAISAL INSTITUTE OF REAL ESTATE APPRAISERS**

- Real Estate Appraisal Principles 1987
- Basic Valuation Procedures 1987
- Residential Valuation 1987
- Standards of Professional Practice 1988
- Capitalization Theory and Techniques, Part A 1988
- Capitalization Theory and Techniques, Part B 1989
- Case Studies in Real Estate Valuation 1990
- Report Writing and Valuation Analysis 1992
- Hotel and Motel Valuation, 1992
- Standards of Professional Practice, Part A (USPAP) 1994
- Standards of Professional Practice, B 1994
- Highest and Best Use Applications 1997
- Attacking and Defending an Appraisal in Litigation, 1999
- Standards of Professional Practice, Part C 2001
- 15 Hour National USPAP Course 2003
- The Road Less Traveled: Special Purpose Properties 2003
- Appraisal Consulting: A solutions Approach 2003
- USPAP Update: Standards and Ethics for Professionals 2003
- Supporting Capitalization Rates 2004
- Appraisal Institute: Reducing Real and Personal Property Taxes, 2004
- Real Estate Finance, Value and Investment Performance 2005
- Mortgage Fraud 2006
- Scope of Work: Expanding Your Range of Services 2007
- Forecasting Revenue 2007
- Reappraising, Readdressing and Reassigning Appraisals 2007
- Small Hotel and Motel Valuation 2007
- Online Business Practices and Ethics 2008
- Office Building Valuation: A Contemporary Perspective 2008
- Michigan Laws and Rules 2008
- 7 Hour National USPAP Update Course 2008
- Appraisal Curriculum Overview Residential 2009
- Appraisal Curriculum Overview Commercial 2009
- Introduction to Valuation for Financial Reporting 2009
- Uniform Appraisal Standards for Federal Land Acquisitions 2009
- The Discounted Cash Flow Model: Concepts, Issues and Apps. 2010
- A Debate on the Allocation of Hotel Total Assets 2010

## **EDUCATION (continued)**

• Michigan Laws and Rules	2011
• 7 Hour National USPAP Update Course	2011
• Business Practices and Ethics	2011
• Fundamentals of Separating Real Property, Personal property	2012
• Valuation of Investment Properties	2013
• Marketability Studies	2013
• USPAP Update	2013
• Michigan Economics 2013	2013
• Michigan Laws & Rules	2013
• Michigan Appraiser Laws and Rules	2014
• 7-Hour National USPAP Update Course	2014
• Michigan Economy 2014	2014
• Challenging Michigan Highest and Best Use Properties	2014
• Business Practices and Ethics	2014
• Online Cool Tools: New Technology for Real Estate Appraisers	2015
• LARA and the Michigan Real Estate Appraisal Profession	2016
• 2016 Contemporary Michigan Property Tax Issues	2016
• Avoiding Buybacks, Since Michigan Appraisers Don't Get Bailouts	2016
• 7-Hour National USPAP Update Course	2016
• Michigan Law and Rules	2016
• Michigan Economy 2016	2016
• Capitalization Rates: Real World Applications – Michigan	2016
• Yellow Book Changes – Overview for Appraisers	2017
• Online Data Verification Methods	2018
• Valuation Issues: Michigan B & C Retail Properties	2018
• Michigan Economy 2018	2018
• Michigan Laws and Rules	2018
• 2018-2019 7-Hour National USPAP Update Course	2018

## **OTHER APPRAISAL COURSES**

• American Society of Farm Managers and Rural Appraisers, A-10	1987
• American Society of Farm Managers and Rural Appraisers, A-20	1989
• Holloways Real Estate Institute, Real Estate One Course	1986
• Holloways Real Estate Institute, Real Estate Appraisal Course	1986
• Nature Conservancy Easement Seminar	1992
• Comprehensive Appraisal Review	1996
• CCIM Course 101: Financial Analysis for Commercial	1999
• CCIM Course 102	2000

## **SEMINARS AND CONTINUING EDUCATION**

• Seminars prior to 2000 are not shown.	
• Appraisal Institute: Standards of Professional Practice, Part C	2008
• Northern Michigan University: Michigan Licensing Law	2008
• DNR - Appraising and Acquisitions in Uncertain Markets	2009
• Introduction to Valuation for Financial Reporting	2009

## **PROFESSIONAL EXPERIENCE**

- Federal Land Bank Association: Loan Officer/Appraiser, Senior Loan Officer/Senior Appraiser, Branch Manager/Senior Review Appraiser, Special, Accounts Senior Officer, 1976-1990

## **PROFESSIONAL AFFILIATIONS**

- State of Michigan, Real Estate Brokers, 1986, License #219271
- State of Michigan, Real Estate Certified Appraisers License, 1991, License #1201001061
- MAI Member of the Appraisal Institute, 1997 – present, Certificate #11223

## **APPRAISAL EXPERIENCE/TYPES OF REAL ESTATE APPRAISED**

General Real Estate appraising since 1975. General commercial appraisal since 1991.

### **Specializing in hotel and motel valuations.**

#### **Properties appraised also include:**

Conventional apartments  
Senior housing facilities  
Subsidised and affordable housing apartments  
Total and partial takings of various types of properties for limited access and free access right-of-way for the MI Department of Transportation,  
Single family and multifamily residential properties  
Residential subdivisions  
Mobile home parks  
Schools  
Convenience stores  
Industrial properties  
Shopping malls  
Strip shopping centers  
Office buildings  
Recreational lands  
Veterinary clinics  
Federal Park Service properties  
Retail buildings  
Grocery stores  
Hospitals  
Electrical generation facilities  
Numerous appraisals of all kinds for the MI Department of Natural Resources and US Forest Service.

## **SPECIAL USE PROPERTY APPRAISALS**

Farms and Acreage  
Marinas  
Deep Water Docks  
Shopping Plazas and Malls  
Full Service and Fast Food Restaurants  
Mackinaw Island Properties  
Going Concerns  
Aggregate Mines

## **QUALIFIED AS AN EXPERT WITNESS**

- District Courts in Various Michigan Counties
- Eastern District United States Bankruptcy Court (MI)
- Western District United States Bankruptcy Court (MI)
- Tax Appeal Division, State of Michigan
- Michigan Tax Tribunal

## PROFESSIONAL DESIGNATIONS

MAI (Member, Appraisal Institute) Appraisal Institute since March 6, 1997

State Certified Real Estate Appraiser (State of MI) #1201001061

The Appraisal Institute conducts a program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under this program.

*The Appraisal Institute, is the oldest organization of professional appraisers in the United States. The Appraisal Institute is the result of the 1990 merger of the American Institute of Real Estate Appraisers and the society of Real Estate Appraisers. It is the largest organization of Real Estate Appraisers.*

*Founded in 1932 the Appraisal Institute has, during its 59-year history, attained a national reputation for professional service to the public. Courts, government agencies, lending institutions, developers and real estate brokers have relied upon - and in many cases sought out - reports prepared by appraisers who hold the MAI or RM designation. With the merger the designations include the SRA which is equivalent to the RM.*

*The Appraisal Institute has an intensive program designed to test knowledge, experience and judgment in the field of real estate appraising, and membership in the Institute is awarded only to those who have demonstrated their ability to meet these stringent requirements. These standards demand that a member have years of practical appraisal experience, pass extensive written tests, and submit numerous appraisal reports demonstrating the ability to render competent service to clients. Moral character, ethical conduct and professional services are always subject to review by the Appraisal Institute.*

*Over the years The Appraisal Institute has been a pioneer in the field of continuing appraisal education. Its first case study course was presented in 1935. Today, the Institute offers a series of thirteen different intensive one and two week courses ranging from basic appraisal principles and techniques to more technical subjects. It is also a major publisher of appraisal textbooks, monographs and periodicals.*

*RM - Residential Member - is the designation earned by those specialists who have demonstrated competence in the appraisal of single family residences.*

*MAI - Member, Appraisal Institute - is a designation awarded to those who have proven their ability to appraise all types of real property.*

*All members must subscribe to the Institute's rigid Code of Ethics and Standards of Professional Conduct.*

*The Appraisal Institute conducts a program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification.*

*I am currently certified*

GRETCHEN WHITNER  
GOVERNOR

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LICENSE

MARK JOHN FAUCHER

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